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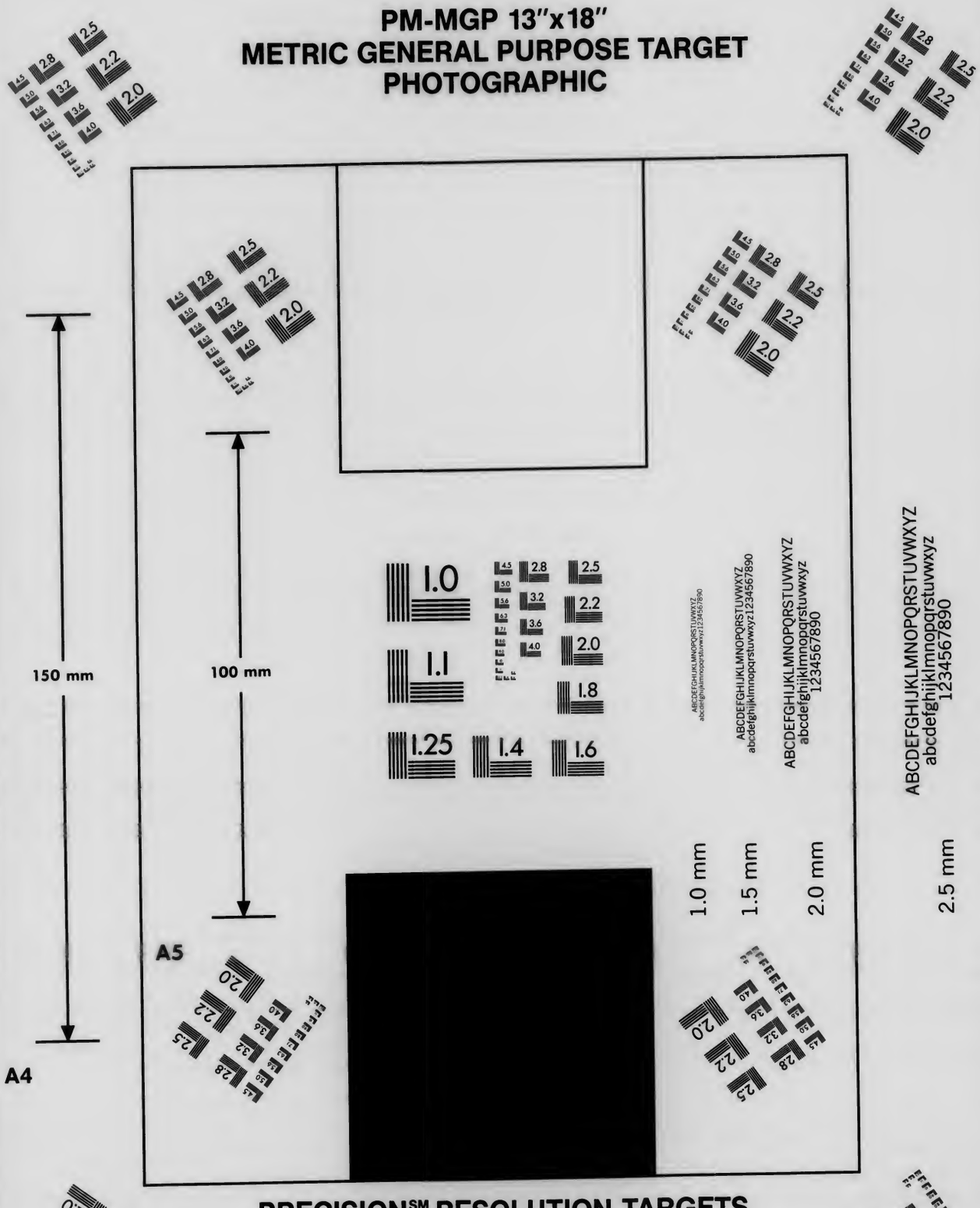

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BILLIONS FOR VETERANS

Billions for Veterans

An Analysis of Bonus Problems—Yesterday, Today and Tomorrow

by

Knowlton Durham

Issued Under the Auspices of
The Veterans Committee
For Reducing the Cost of Peace

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FOREWORD

THE author wishes to make clear at the outset that he holds the highest regard for, and confidence in, the patriotism of his fellow veterans in time of peace as well as in time of war, and that he is in no way levelling criticism at the great majority of American veterans. Occasionally in this book references are made to specific actions which the author believes unwise, on the part of the veterans' organizations, such as the American Legion and the Veterans of Foreign Wars. There have been factions in those organizations which sought to use their power to seek selfish benefits from the Government; but the author hopes and believes that the better elements—the great number of men who stand for high patriotism in time of peace—are by far predominant among four million veterans in the nation. The truth of that belief has been strikingly borne out in the splendid action of the American Legion in refusing to ask for the immediate cash payment of the bonus. The author wishes to acknowledge his indebtedness to Marcus Duffield, author of *King Legion,* from which book material has been freely drawn.

CONTENTS

I.	The Sword of Damocles	9
II.	History of Soldier Benefits	18
III.	Present Veterans Generously Treated	40
IV.	Rise of the Modern Soldier Bloc	53
V.	Pension Cost Shoots Upward	61
VI.	The Bonus "Tincup"	80
VII.	False Bonus Arguments	101
VIII.	Financial Consequences	111
	Appendix	119

Chapter I

THE SWORD OF DAMOCLES

The nation is faced with a decision of the gravest importance—a decision that affects the pocketbook and prosperity of every man and woman, and affects the welfare of the country as a whole: Shall the Government pay out two billion dollars to the veterans of the World War?

The question arises as a result of the agitation for the immediate payment of the Adjusted Compensation Certificates now held by the ex-soldiers. This is a formal name for the bonus.

When the veterans returned from the War thirteen years ago, certain politicians saw an opportunity to win their favor and their votes by suggesting that the Government pay each man an additional lump sum as a gratuity. The soldiers said no; they had joined the American forces out of patriotism to defend the nation; they would not demand a bonus on their return. Then a new name was coined for the bonus. It was suggested to the soldiers that they would have made more money if they had not gone to war and that they ought to ask the Government to make up the difference. Thus they would get the bonus money, but under a more dignified label: adjusted compensation.

That small difference in terminology won the soldiers over. Instead of refusing, as at first, increasing numbers

began to clamor for the money. Pressure on Congress grew stronger and stronger, until the Adjusted Compensation bill became law in 1924 in spite of President Coolidge's veto.

The law was a compromise. The veterans wanted the money immediately, but experienced leaders of the Government saw into the future and realized that if the soldiers were able to get so huge a sum in cash from the treasury in 1924, there was a strong likelihood that they would come back for more in 1930, or '40 or '50. The history of the Civil War pension scandals plainly indicated just such a consequence. So the 1924 law, instead of providing immediate payment in cash, authorized the Government to give each soldier an I. O. U., a promise to pay twice as large a sum in 1945. These I. O. U.'s were the Adjusted Compensation Certificates, collectible in 1945. The soldiers were satisfied, and agreed to abide by the terms of the bargain and make no more demands.

The agreement was broken. In 1931 the American Legion suddenly demanded that the Government pay the bonus then. Congress, in spite of President Hoover's veto, passed a law handing out half the bonus money immediately in the form, technically, of a loan. The cost to the Government was a little more than one billion dollars.

Powerful groups of former soldiers are demanding that the 1931 "loan" be wiped off the slate and made a gift, and that all the rest of the bonus money be paid in full immediately. The amount that the Government would have to pay is estimated at something more than $2,000,000,000.

A bill to authorize the immediate payment was introduced in Congress by Representative Wright Patman, a Congressman from Texas who has been for many years a leader of the agitation to give the ex-soldiers Government money. Political observers in Washington pointed out the strong temptation such a bill offered the national lawmakers, who fear the political consequences of alienating the soldier vote. The following Washington dispatch in the *New York Evening Post* is typical.

> The Patman bill will no doubt pass the House. . . . It may be held up for a few weeks, but it is sure to come up and be passed. And the Senate has never shown any greater powers of resistance to the soldiers' demands than the House has, so this latest plan to distribute money among the soldiers is likely to pass the Senate.
>
> If it passes both Houses, it is, of course, to be expected that the President will veto it. But bonus measures in the past have been passed over the President's veto, and this one may be. Behind it is not only the strength of the veterans politically, but the strong sentiment now existing and amply reflected in Congress for currency inflation.

Two thousand million dollars is a sum so large as to be difficult to grasp. It is a sum nearly twice as large as the entire cost of the Federal Government in the year before the War. In other words, if the bonus bill is passed, the people of the nation (in addition to the regular cost of Government) will be spending in one lump more than their total tax bill in 1914.

Since that time, the cost of the Government has, of course, gone up. In 1931 it was more than four billion dollars. The proposed bonus payment, therefore, is nearly half the amount needed to run the whole United States

Government at the present time for a year, and the proposition is to spend this huge sum at once, over and above the usual Government expenses.

Obviously the money cannot come out of thin air. No matter what scheme may be proposed to raise funds, there is no dodging the fact that the taxpayers have to pay it sooner or later. There are a hundred different guises in which the burden would fall, but the taxpayers would be compelled to pay it, one way or another. If not in income tax, then in disguised form—in the increased cost of necessities: bread, meat, clothes and rent. The question resolves itself into whether the citizens of the nation want to increase their taxes, direct or indirect, by one-half.

The people who actually pay the bill are the men and women who are working and earning money. There are in the United States about fifty million persons who are, in the official phrase, gainfully occupied. To pay out two billion dollars, then, means forty dollars apiece from every bread-winner. Reducing the proposal before Congress to its simplest terms, each citizen can ask himself, "Do I want to dig into my pocket and hand out $40 to the ex-soldiers?"

The bonus question, therefore, plainly affects each of us as individuals. But that is only a small part of the story. The problem has ramifications which go far deeper —strike to the very heart of America's well-being as a nation.

We are today in the midst of a grave crisis. The depression is the most serious dislocation of the social structure in many years. It has brought chaos into the world's economic life to such an extent that no one can foresee the future. The world is sick; and America is

suffering with the rest of the nations. Six million unemployed are tramping the streets looking for work. Great industries have been throttled down; many factories are deserted, no wheel moving. The financial system of money and credit, which is the nervous system of the country's organized life, is in a semi-paralyzed condition. The nation's trade and commerce has been cut nearly one-third; the total national income has shrunk by one-fourth. The monetary loss of this depression has been estimated at sixty-six billion dollars, which is more than the cost of the World War to America.

Our economic structure must not be allowed to collapse; the results would be unthinkable. It must be nursed back to health. The first necessity to prevent collapse and to make possible recuperation is the maintenance of the United States Government on a firm foundation of solvency. If the credit of the Government were not maintained, money would deteriorate in value toward worthlessness and cause untold suffering. Such an eventuality is difficult for us to imagine; we are accustomed to thinking of the Government as being as solid as the rock of Gibraltar. But this is not inevitably so; Government credit cannot be sustained by magic, but only by the strictest adherence to the inflexible laws of economics. The credit of the United States is exactly like that of any individual: it is good so long as income equals expenditures.

The evidence of the inexorableness of that rule and of the helplessness of governments that have gone counter to it is contained in the experiences of other nations which have tried to go on borrowing indefinitely. One of the most striking instances in recent times was the experience of France after the World War when its

credit was so exhausted that the franc dropped from twenty cents to four cents, causing extreme poverty and hardship. The French people now have a deep dread of weakened governmental credit, second only to their dread of invasion by enemy armies.

No government can keep on spending indefinitely, and the United States Government is no exception. This seems so obvious as to be a truism to repeat which is a reflection against ordinary intelligence. Yet it is repeated here because a few Congressmen—men who are presumed to be responsible leaders of the nation—are advocating in the bonus more federal expenditures and more wholesale borrowing as a remedy for the depression. The fact is that Governmental finances are in an uneasy position now.

There is at present a threatened deficit of more than a billion dollars. This, of course, has no reference to the public debt, which is huge; it means simply that the Government is not making ends meet—that the current expenditures are a billion dollars greater than the income. The seriousness of the situation is fully appreciated by Congress, which dislikes nothing more than imposing new taxes on the voters. Despite the depression, despite the danger of incurring their constituents' ill-will, Congressmen have been working out one of the most drastic tax bills ever drafted in the United States—a bill which is designed to raise a billion dollars. It was accepted that this extreme measure had to be resorted to in order to balance the budget; the problem was to so arrange the taxation as to prevent as far as possible adding to the burden of business, lest the depression be prolonged.

Late in March of this year, Representative Henry T. Rainey, majority leader of the House, told Congress that the United States Government was facing bankruptcy; that expenses must be cut and the budget balanced to "restore the solvency of our country." Otherwise, he said, "we are going to have in the United States in the immediate future, and maybe this summer, the biggest panic any nation ever had in all the history of the world."

The informed reader will realize that these are not idle and alarmist speculations. Confirmation may be found in the words of President Hoover in an address he delivered last fall. "The imperative moment has come when increase in Government expenditures must be avoided," he said. "The first stone in the foundation of stability and recovery both at home and abroad is the stability of the Government of the United States. It is my purpose to maintain that stability, and I invite you to enlist in that fight. The country's need of this service is second only to war."

Those words were spoken by the President in his dramatic appeal to the veterans of the United States to refrain from asking for the two billion dollar bonus payment.

The President was saying, in effect, this: To pay two billion dollars to the veterans at the present time not only would mean increased taxation; it would incur the risk of making the depression worse, and would actually imperil the stability of the United States Government.

That is the full meaning of the question which confronts the nation today in the problem of the bonus. The decision rests with Congress. In a larger sense, however, it is a decision to be arrived at by the people of America. They will pay the bill; it is their welfare which is at stake.

The purpose of this book is to gather together all the facts that may contribute to a wise and enlightened study of the bonus problem. The author at once states frankly that he is opposed to the present payment of the two billion dollars; he nevertheless feels bound to exercise the most scrupulous regard for accuracy in facts and figures and fairness in statement of arguments.

Considerable background is necessary to see the problem in true perspective. The past experience of the United States after previous wars, the experience of other nations, the history of the present bonus agitation in the last thirteen years—all these things throw light on today's situation. For this problem is not a new one, sprung up of a sudden, but a very old one, with deep roots.

Certain questions, not all of them immediately apparent on the surface, need to be answered in order to arrive at a mature judgment. Is America treating its former soldiers fairly? They must not be neglected; they must be dealt with generously. Is the full payment of the bonus a debt long past due? If so, we should be willing to sacrifice, to run risks to fulfil to the utmost our obligations of honor.

We recall, perhaps dimly, that the history of soldier benefits was marred after the Civil War by the word "scandal." Was that word applicable? If so, how and why was it applicable? If so, is that history repeating itself now? At what point does the compensation of former soldiers cease to be just and generous and become a perversion of public honesty?

We have heard, perhaps vaguely, of the "political pressure" exercised by veterans. Do they sometimes exercise such pressure? If so, how do they do it? And is

that political pressure permissible according to our standards of democracy, or is it a corruption of democracy? In short, how far can Congress be trusted to represent the true sentiment of the public if it passes bonus legislation?

Finally, what financial consequences to the nation may be expected if the two billion dollar bonus bill should be enacted into law? If we are running grave risks, just what are those risks?

These are the questions this book seeks to answer.

Chapter II

HISTORY OF SOLDIER BENEFITS

One quarter of all Government funds now go to veterans every year, and the proportion is increasing with uncomfortable rapidity. The paying out of money to ex-soldiers has become the greatest single Government enterprise. Obviously, this is a matter on which a clear public policy should be worked out on a basis of reason. But it has never been done. Our expenditures have been made piecemeal in the most muddling fashion imaginable. If any business organization conducted its affairs in such a manner, it would be driven to bankruptcy in quick time. A curious alliance between honest but dreamy sentimentality and dishonest greed has governed the course of veterans' disbursements; intelligent justice has at no time played any effective part.

In its deepest roots the problem of pensions and soldier benefits is intimately bound up with the changing status of war in the course of civilization's progress. The connection has never been brought out, and in fact never realized by most people. Perhaps that accounts for so much fuzzy thinking about what the nation should do for its returning soldiers. War originally was a business, albeit a romantic and dangerous one, in which the conquering king added to his domains and personal possessions and to his power over his own people. The king who won got a lot out of a war, and went into it for that purpose. His soldiers, knowing that, could not be

expected to do the fighting for nothing. So they got plunder for themselves, and frequently pieces of seized territory.

In the later days of Rome the organized armies became stronger than any ruler, and the more they realized their power, the more booty they wanted and the less actual fighting. They turned from plundering the enemy to plundering the home folks, which was easier. They auctioned off the throne to whichever candidate for emperor would pay them the most gold. Since that time there has been no conspicuous instance of organized soldiers using their power to reap profits from their own countrymen at home until the advent of the modern democracy which facilitates such action by the ballot.

Another form of remunerating soldiers for taking part in wars of aggrandizement was developed in the use of mercenaries. Bodies of professional soldiers, regardless of the country they hailed from, were hired to fight. This custom was in fashion as recently as in our own Revolutionary War when King George employed Hessians.

Meanwhile society was gradually altering its attitude toward war. Moral feeling arose against the deliberate resort to wholesale killing, and public sentiment has outlawed wars of aggression. This feeling has been reinforced from a purely materialistic standpoint by the thesis Norman Angell advanced: namely that because of the modern interdependence of nations, no country could come out of a war, even if the winner, with a net material gain. In short, he showed that present day war cannot be good business. His views were amply borne out by the World War, after which all participant nations suffered alike, and more recently by the Japanese invasion of China which cost Japan so dearly in the

decline of its bonds and its industry that the campaign was called off at an indecisive point although a sweeping victory was apparently possible.

The change in society's attitude toward war has brought with it a complete alteration of the status of the soldier. In so far as wars are no longer aggressive profit-seeking enterprises, soldiers no longer are fighting optionally for what they can get out of it. They are fighting to defend themselves—to defend their homes, their property, their way of living or the social group of which they are a part: that is, their nation. The defensive modern war is a common enterprise for mutual protection of ourselves. To be sure, some of the people have to do all the fighting for the entire group. That cannot be helped; war is in this respect a lottery: the men who happen at the time it strikes to be able-bodied and within certain age limits are the ones upon whom the brunt falls, and who may have to sacrifice their lives. An inescapable part of the price of maintaining a modern nation with its comforts of civilization is, until the world manages to eliminate war, the duty of each citizen to put his services and even his life at the disposal of the nation in a supreme emergency. (This holds true, of course, only for defensive wars, which all wars are now, at least in theory; in any case, a democratic people need not allow themselves to enter a war of aggression in the first place.)

The mistake some veterans make is to regard the Government as a remote, isolated entity in itself. They feel they fought not for themselves, but under compulsion for some outside interest. If that were true, then our system of democratic government has been a deception and needs complete overhauling. The mistake, however, is a perfectly natural one because of the size of the nation and the remoteness of the Government to the average citizen who thinks in the terms of concrete, near-by things rather than in the terms of political abstractions. For the purpose of clarifying the idea, take a smaller unit of social organization: in ancient times when a primitive family was attacked, the old father might determine that a defensive fight should be put up, the able sons would do the fighting, and the mother and sisters stay at home; the sons would not expect a bonus afterward because in protecting their home and their family they were defending themselves. The parallel is, or at least should be, exact.

It is taking society a long time to sincerely outlaw aggressive war, and the process is not complete yet. By the same token, it is taking soldiers a long time to realize their changed status which makes them defenders of themselves, not profit-seekers. That process is not yet complete either. It is the crux of the present problem. There can be no doubt that the psychological hangover from the days when fighters enriched themselves by fighting lies behind and helps to explain the confusion about the public policy as to soldier benefits.

The problem first presented itself in America's first conflict as a nation, the Revolutionary War. At that time, however, the concept of soldiers as adventurers expecting good remuneration was in the ascendancy. At the very beginning of the war, in 1778, the Continental Congress promised that all commissioned officers " shall, after the conclusion of the war, be entitled to receive annually, for the term of seven years, if they live so long, one-half of the present pay of such officers." Noncoms were promised $80 flat bonus. A year later " a

gratuity of $100 each" was promised to all those who had previously enlisted. This was a matter of evening things up. Various bonuses had been offered to stimulate enlistment, and the men who were already in the army naturally felt that they were being discriminated against. The provision for officers was then raised to half pay for life.

By 1783 the issue of soldier benefits had become a burning question in the ranks of the Revolutionary army. The various benefits promised had largely failed to materialize because of lack of funds. Anonymous letters were circulated in the army, mutiny was threatened and an indignation meeting was held which framed a petition, almost an ultimatum, to Congress demanding for officers "the amount of five years' full pay in money, or securities on interest at six per centum." Congress repealed the half pay for life provision, and granted the new demand, only to find itself beset by a storm of protest from the irate civilian population. Petitions demanding repeal came from Massachusetts, Rhode Island and Connecticut; but Congress stood fast, contending that "even if the objections were ever so valid," still, the promise was made and should be fulfilled.

There was apparently no comparable legislation for veterans of the War of 1812. Bounties were offered to persuade men to enlist, which of course is another matter altogether. The only special provisions after the war were for the free occupation of Government land, of which there was an abundance.

During the Civil War various bounties were paid as an inducement to enlistment; in the later stages of the conflict a man could collect as much as $600 from state or county or town upon joining the Northern army. At

the close of the war an "additional bounty" was granted, $100 for those serving three years, $50 for those serving two years. This cannot rightly be compared with the present bonus; it corresponds, rather, to the $60 discharge fee which each soldier of the World War was paid upon being mustered out after eighteen months service. Ten years after the Civil War, Congress passed "an act to equalize the bounties of the soldiers who served in the late war for the Union," which would have been, in effect, a partial bonus (or adjusted compensation) inasmuch as it would have provided Government payments to a majority of the veterans. President U. S. Grant wrote a veto of the bill in 1875, and his message is worth reprinting in part because of its similarity to vetoes a half century later:

> "House Bill No. 3341 is herewith returned without approval, for the reasons, first, that it appropriates from the Treasury a large sum of money at a time when the revenue is insufficient for current wants and this proposed further drain on the Treasury. The issue of bonds, authorized by the bill to a very large and indefinite amount, would seriously embarrass the refunding operations now progressing, whereby the interest of the bonded debt of the United States is being largely reduced. Second, I do not believe that any considerable portion of the ex-soldiers who, it is supposed, will be beneficiaries of this appropriation, are applicants for it. . . . The passage of this bill at this time is inconsistent with the measures of economy now demanded by the necessities of the country."

The G. A. R. at that time had not got into its stride. No further move was made toward bounties or bonuses.

No bonus whatever was paid after the Spanish American War.

So much for the bonus. Called by whatever name—gratuity, bounty or adjusted compensation—it was disapproved of and disappearing as a part of American policy with the growing realization of the new status of the soldier as a defender rather than an adventurer. Disappearing, that is, until revived with so much vigor after the World War.

The pension is, of course, an altogether different matter. In contrast to a lump sum gift, it is periodic payment through the years to help support war sufferers. Certain veterans of the Revolution and of the War of 1812 were given pensions by a series of acts of Congress from 1776 to 1832. Through the Civil War period and for twenty-five years afterward, a definite national policy was crystallizing as to the proper scope of the pension system. It was this: The Government should pension those men who were wounded in actual combat to such an extent that in future life they would be partially or wholly unable to earn their own livings.

That was a sound tradition under which full justice could have been done. Any man whose earning power is decreased because of injuries in military service should be sympathetically and generously aided by the Government. Such aid is not a payment for patriotic deeds—deeds that cannot and should not be measured in terms of financial profit—nor is it a national dole. Men wounded in battle are the victims of a common sacrifice for the common good; society cannot let them suffer want through their later years. This principle governs the pension system in Europe, and in fact in nearly all other nations. It is the only honest and wise principle

today, but it has been submerged in a morass of cheating and political chicanery glossed over with sticky sentimentality.

An exact calculation of the number of people who might be eligible to receive pensions is impossible in any way. In the Civil War, 364,332 Union soldiers were killed in action; probably less than half of them left impecunious dependents. The wounded totalled 277,401; probably less than half of them were liable to want because of disabilities extending into later life and impairing their earning power. The number of people legitimately eligible for pensions, therefore, could not possibly have exceeded 500,000 and in all probability was fewer than 300,000.

Civil War pensions began with the act of July 14, 1862, and provided for low rates. One year after the war, the Government was paying $15,000,000 a year to its survivors. In 1872, seven years after the war, the sum had grown to $30,000,000 annually. In fifteen years, because of liberalization of the rates and provisions and because of the increasing number of applicants, the sum had grown to $56,000,000 annually. By 1889 it had jumped to $86,000,000. Pension Commissioner Baker said, "We have reached the apex of the mountain." This seemed a reasonable assumption. Soldiers who had suffered wounds that would seriously affect their later lives knew it at the close of the war; a missing arm or leg is a palpable misfortune. As a rule, soldiers injured by disease seriously enough to incapacitate them from manual labor also clearly realized their condition. Men of this type, and their dependents—minors, mothers, fathers, orphan sisters, and orphan brothers—and widows were then the only legal pensioners. Nearly all of them,

in the natural order of things, should have gone upon the pension rolls in the few years immediately following the war.

But Commissioner Baker was wrong. By 1898 the annual Civil War pension cost was more than three times as much as his "apex," and there were 745,222 veterans on the list, or nearly twice the total number of men who had been in any way wounded. And this was thirty years after the war had ended.

What had happened was that the sound principle of pensioning had been thrown overboard, and a humiliating chapter in American history opened. The English historian Lecky, in his "Democracy and Liberty," criticized the working of democracy in America because, he said, the tendency was for one section of society to rob others. He cited as evidence the American system of military pensions. Certainly he was right at least in so far as this example is concerned, for the history of Civil War pensions is a story of a small minority reaching into the Government treasury to help itself and plunder the rest of the people.

The Grand Army of the Republic was primarily responsible. The men who led this organization of Union veterans either were conscientious at first or else did not sense the possibilities. At any rate, no great demand for financial booty arose in the first ten years. In time, however, the G. A. R., which had professed to be nonpolitical, gradually entered more and more into politics and began to realize its strength. It identified itself with the Republican party, and exerted increasing pressure from within and without upon the legislators. Shrewd Congressmen started calculating how many votes in their districts came from veterans, their relatives and sympathizers, and found the total to be very large. Then when the G. A. R. gave evidence of regimenting and controlling those blocks of votes, the Congressmen listened attentively to the G. A. R. demands, and obeyed, lest they be defeated at the next election.

The G. A. R., in turn, took upon itself the legislative function of Congress in respect to pensions. The Grand Army's pension committee of seven decided what laws they wanted enacted and saw to it that they were put through without delay. "Go to Congress," advised Commander Russell A. Alger, "and present your demands: and not with bowed heads." The G. A. R. did, and Congress abdicated. "Does the bill in this form satisfy you?" Speaker Cannon once asked the Grand Army's pension committee when a measure came up for vote. "Yes," was the answer. Bang! went the Speaker's gavel, and the bill was law.

Under the promptings of the G. A. R., Congress passed a mass of laws from 1862 to 1890 tearing down bit by bit the wall of sound tradition back of the pension system. Many of the liberalizations no doubt were right and proper. At first they seemed comparatively trivial, anyway. The monthly allowances were increased for this particular malady in one session and for that specific complaint in the next session. Or else Government doctors were allowed to "presume" that a certain ill had originated in war service even if it could not be proved.

Other liberalizations were less defensible, and savored more of outright fraud under Government blessing. One law provided that any Negro or Indian woman who had lived with a man as his wife under an unrecognized ceremonial could claim a pension as his widow. A companion measure provided that widows' pensions should

date from the time of the husband's death. That is, if a Negro woman decided in 1885 that she had had a "broomstick marriage" with a soldier who died in 1865, all she had to do was to get affidavits from a few old friends and then collect twenty years' pension money in a lump, and continue collecting it every year thereafter. Similarly, "arrearages" were granted, by still another law, to all invalid pensioners. This encouraged any ex-soldier who could find something wrong with himself that might conceivably be traced back to the war to apply for a pension and get at once a large sum covering all the back years.

As time went on the G. A. R. became greedier and bolder and finally decided that all veterans who had ailments should get money from the Government. So on June 27, 1890, Congress granted pensions to all honorably discharged ex-soldiers incapacitated for manual labor, from causes not due to their own vicious habits. This was the first major departure from the principle of pensions on account of war disabilities. Now the ailments did not have to date back to war service; any complaint would do to qualify a man for receiving Federal funds. Thus, twenty-five years after the war, the sound pension tradition was abandoned, and a new era begun. Naturally, the Government began pouring out millions more every year. This was what Commissioner Baker had not foreseen.

Opportunities for plunder were widening amazingly. A curious new profession had cropped up; men were making their livings by being "pension doctors," and their business took a sudden boom. For a share of the resultant riches, they could discover and certify to a complaint of some kind or other in veterans who had

never imagined themselves in anything but the most robust health. Soldiers turned out to be suffering from "tenderness over the spleen," "crepitation of shoulders and elbows," "two piles," "periodical vertigo," "sallow skin," "tremulous tongue," and "protuberant abdomens," or, as they were sometimes more simply termed, "distended stomachs." Government officials, well aware of the notorious pension doctor racket, nevertheless granted pensions to all such sufferers.

Congress, still prodded by the G. A. R., not only winked at the widespread fraud, but began to participate in a slightly different form of it. Although the pension laws were by this time so broadly phrased as to admit a multitude of men to Federal benevolence, there were still many persons who wanted and could not get it. Congress developed a system of private pension bills by virtue of which the few barriers that remained were lowered in specific cases. The tacit agreement was that any Congressman who had a pet private candidate for a pension would find support in the House for his bill if he in turn would support those of other Congressmen. Widow X, for example, seeks a pension under the act of 1890 although she did not marry her veteran until 1891. She is ineligible, because the law requires the marriage to have been previous to its passage. But she reaches her Congressman, and the whole ponderous machinery of the legislative branch of the Government thereupon gets into motion to put the Widow X on the dole list.

Even more common were the private bills to pension men who were dishonorably discharged, or even deserters. The popular fiction used for an excuse in Congress was that the man in question was the victim of a

" cruel, overbearing superior officer." Burton J. Hendrick, writing about the pension scandals some years ago in the *World's Work*, related from official records, the story of one Daniel Hampton. His story is typical of scores of others. Hampton was courtmartialed during the War for assaulting his commanding officer, whom he bit in the hand and called unprintable names, " repeating the same several times until he was gagged." He also tried to beat up his corporal. For these offenses he was dishonorably discharged and sentenced to a year at hard labor with a ball and chain on his left leg. Despite the ball and chain, Hampton escaped from the guardhouse and vanished. He turned up again in 1914 when he was 82 years old, asking through his Senator for the " correction " of his record to qualify him for a pension. The Senate promptly passed a measure " for his relief," so this fine old patriot received a monthly stipend from a grateful government.

Thousands of these private bills were passed, and in fact are still being passed to the present day. The current ones usually provide for an increase to this person or that, because there are by now virtually none who do not qualify for a pension anyway. The attitude of Congress seemed to be that if so many veterans were grafting on the Government, why should not the Congressmen themselves get in on a good thing and profit by it themselves.

The two political parties went even farther. They competed between themselves as to which should promise most Federal funds to the veterans, and thereby win most votes. For years the Republican party had the advantage, because of its close affiliation with the G. A. R. When the Democratic party was in power, it

tried to outdo the liberality of its opponents and so pose as the champion of the soldier boys. In the ranks of both parties " pension statesmen " came into prominence, men whose chief claim to fame and to election lay in their bills to extend the veterans' payments. One such " statesman " was Isaac R. (" Dollar-a-Day ") Sherwood, a Democrat, whose sole preoccupation was pensions and whose aim was to lead the Democratic party to new heights of achievement on that issue. He introduced, among others, a bill to pay every old soldier a dollar a day. It was a good stroke for the Democrats. One legislator who ran on that platform said it increased his majority by 10,000 votes.

Burton J. Hendrick recorded an anecdote, illustrative of the attitude of the nation's lawmakers, which had been told in Congress by Representative Callaway, of Texas. " I want to repeat a conversation of an old Congressman," said Callaway, " who was for the pension bill, and a new Congressman who was making a patriotic talk. ' Now,' he says, ' I am going to vote for the Sherwood bill, just as you are, and for the same reason. Another bill is coming up here—this militia-pay bill—and when it comes, I am going to vote for that, and you will, too. I am going to vote for this Sherwood pension bill because I am an old man and do not want to quit Congress, and these old fellows are pretty well organized in my district, and I do not think I can be elected without their vote, and I do not know how to get it without buying it, and I am a poor man and not able to purchase it with my own money, and this is an opportunity to take the money out of the Federal treasury and buy it. . . . And that is the reason why you are going to vote for it.' "

The baldly cynical Congressmen were not exaggerating the political importance of the pension issue. The average Congressional district contained about 2,000 old-soldier votes. Some states especially noted as political hotbeds had more; thus Ohio had 3,500, Indiana, 4,000, and Illinois, 3,000. The figures represented more than two or three thousand voters; they represented old soldiers, their widows—extremely active politically even when they could not vote—their sons, grandsons and neighbors. The disbursements of pensions came to average about $500,000 in each Congressional district. The money, especially in country sections, went, of course, into the pockets of tradesmen and house owners, and so became an important element in the economic life of the district. The pension issue therefore came to involve a "vested interest" composed not only of the actual recipients, but also of their grocers, butchers and retail merchants. Persons who opposed the pensions were denounced as "hurting business." Such a condition made it extremely perilous for a legislator to resist the movement to loot the treasury.

Thanks to the combination of G. A. R. pressure and Congressional vote buying with Government money, the second major departure from sound pension tradition took place in 1907. For the first twenty-five years after the Civil War, up to 1890, pensions were awarded men disabled from war service whose earning power was impaired: This was proper and in line with the principle that the modern soldier, defending himself and his state, does not demand profit from war, does not expect gratuity for his patriotism, but should be helped by society if so wounded as to be unable to make his living. From 1890 to 1907, this principle had been set aside to the

extent that any soldier not in good health, whether his complaint was from war service or not, could get a Government dole. In 1907 the principle was entirely abandoned, for Congress then passed an act pensioning all old soldiers who served at least ninety days and received honorable discharges. Physical disability no longer figured at all; veterans in perfect health were equally eligible.

No longer did the veterans have to commit frauds to get on the pension roll. The new law, as one Senator said, "tempts no old soldier to expand his conscience beyond normal limits in order to come within its provisions." The law established, in fact, a simple, old-age pension system. But not for the whole population—just for one class, at the expense of the rest of the population.

Parallel with the tendency to increase the number of veterans eligible to receive pensions ran another Congressional tendency to keep increasing the pensions themselves. In 1890 the rates were $6, $8, $10, and $12 a month, depending on the degree of incapacity. By 1913 they had been advanced to from $13 to $30 a month depending on age and length of service. By today, sixty-seven years after the close of the war, the pensions have risen to $75 to $100 a month for survivors and $40 for widows.

The number of pensioners on the roll grew and grew till it equalled and then passed far beyond the total casualties of the war. The greatest number of veterans on the list was 745,222 in 1898, but the number of pensioned widows grew until the peak of 304,373 was reached in 1912. In 1915 the total number of military pensioners reached the high record of 1,004,196, most of whom were pensioned on account of the Civil War. Of

late years the number of Civil War pensioners finally has begun to decline. The recent record is:

1920	533,729
1923	433,203
1925	367,819
1927	302,691
1930	216,692

The significance of this lies in the length of time after the Civil War over which the burden to the Government is spread—sixty-five years, and still heavy. Sixty-five years after the World War will bring us to 1984.

Naturally, the cost to the nation was mounting correspondingly through the years. The record shows the following expenditures for Civil War pensions, to the nearest million:

1866	$ 15,000,000
1872	30,000,000
1880	55,000,000
1914	174,000,000
1920	203,000,000
1923	239,000,000
1925	186,000,000
1927	166,000,000
1930	125,000,000

The total cost of Civil War pensions up to the end of the fiscal year 1930 was $7,370,482,014.

As the ranks of the veterans thinned, the pension statesmen in Congress were pained at the prospect of a dwindling field for their endeavors. So were the pension doctors and lawyers, and the newspaper, *The National Tribune* in Washington, D. C., which made a practice of stirring old soldiers to demand more and bigger emoluments. A new crop of pensioners was needed. Along came the Spanish American War, in 1898, and supplied the new crop. True, the war lasted less than six months, only 250,000 men enlisted, and of those only 30,000 got within sound of gunfire. The total casualties were 8,322. On any legitimate basis, the Government pension roll should not have been materially increased.

But things moved more quickly after the Spanish American War, because everybody concerned knew better how to capitalize the war, having learned from the success of the G. A. R. and its political co-conspirators how easily the sound tradition of proper pensioning could be broken down. The result was that events took much the same course, but moved over it more rapidly.

In the first place, Spanish American veterans were much more alert about claiming pensions. This was partly because the pensions were far larger than they had been at the end of the Civil War. In 1865 a man who had lost an arm at the shoulder or a leg at the hip received $8 a month. In 1898, a Spanish American War veteran suffering the same disability went on the rolls at $45.

Some effort apparently was made to protect the treasury against the fraudulent claims that had marked the Civil War list. As soldiers of the Spanish American War were mustered out, they were given physical examinations by surgeons and their commanding officers and then were required to sign a statement saying whether their own physical conditions were good or bad. This statement was retained, along with the examiners' verdicts.

The pension doctors and lawyers, now known as claim agents, were, however, experienced and ready to pounce upon the new crop of potential pensioners. Pounce they

did. Hardly had the ex-soldier disembarked from the boat in San Francisco when he was seized, sometimes bodily, by "runners" and whisked into the claim agent's office where the pension possibilities were laid before him in glowing terms. A soldier, fresh from signing a statement that he suffered no disability whatever, would emerge from the agent's office complaining upon his oath of "disease of the stomach, kidney trouble, malarial poisoning and results, lumbago, pain in the back and irritable heart." He would get the desired pension and his adviser a commission.

Likewise the new crop of veterans lost no time in forming an organization, called the United Spanish War Veterans, or U. S. W. V. And *The National Tribune* increased its circulation by taking up the battle cry for pensions for the new heroes.

As was the case after the Civil War, the Spanish War veterans were at first pensioned only for disabilities directly traceable to war service. The first major attack on this principle came in 1912 when the U. S. W. V., having managed to get four of their number on the pension committee of the House of Representatives, began the fight for emoluments for all widows. That did not mean only widows of men who had been killed in action or had later died of causes connected with war service; they were pensioned, very properly, by existing law. It meant widows of men who had enlisted in '98, even if they had got no farther than the Florida coast and were entirely unscathed by the war. The Government, by such a law, became responsible to the extent of paying the widow if a perfectly healthy veteran ten years after the war suddenly died in a train wreck. Twenty-five years were needed for the G. A. R. to be emboldened to ask

the general widows' pension; the speedier U. S. W. V. came to it in half the time.

The whole story need not be repeated in detail, for it is strikingly similar to that of the post-Civil War era. Pressure was exerted on Congress, and Congress responded by liberalizing the laws both by raising rates and including more veterans within the scope of the benefits. By now the rate for veterans ranges from $20 to $72 a month and the rate for widows is $30. The rising roll and the mounting cost can be seen at a glance: (The total war casualties, remember, were 8,322.)

Year	*Number of Pensioners*	*Cost of Pensions*
1920	30,432	$ 4,624,098
1923	81,560	17,886,821
1925	120,234	25,098,501
1927	162,638	57,232,828
1930	217,730	83,750,721

In 1930 for the first time the number of pensioners exceeded the number of Civil War recipients.

Because pensions for Spanish War veterans were inaugurated at an earlier stage relatively than were Civil War pensions, it appears probable that the peak in numbers of Spanish War pensioners and in the annual cost will come at a relatively earlier date than was the case with respect to Civil War pensions. Estimates indicate that the number of surviving Spanish War veterans on the roll has about reached its maximum. The number of pensioned widows is expected to increase for some time to come. The roll will not decline, of course, until the loss of veterans offsets the access of widows. There is active agitation for higher rates, however; if this is successful and the rates are increased, as desired, to the

level of Civil War pensions, there will be a marked rise in the total cost despite the reduction in the number of pensioners.

The Civil War and Spanish American War records, taken in conjunction, point to two conclusions. Under our present disgraceful method of granting pensions not on the basis of justice but rather on the basis of the political power of the organized veterans coupled with the vote-buying proclivities of our nation legislators, the curve of Government expenditures can be expected to go upward for at least forty years after a war. So taxpayers may look forward with virtual certainty to being burdened for a generation.

The companion conclusion is that the trend of the total Government expenditures in behalf of veterans of all wars is upward to an alarming degree.

Year	*Total Pensioners*	*Total Cost*
1860		$ 1,102,926
1870	198,686	28,340,202
1880	250,802	56,777,175
1890	537,944	106,936,855
1900	993,592	140,877,316
1910	921,083	162,631,730
1920	769,543	509,150,328

That is, the Federal funds devoted to military pensions does not seem to fluctuate through the years, depending, as one would expect it to, on the proximity of the previous war, and the number of pensioners, but rather it keeps growing. The reason, of course, is that Congress seems unable to place any check on its squandering ways. Each new group of veterans becomes the heir to almost all the liberalized benefits which the previous group struggled

to achieve, so the new group starts working up from a much more advantageous point. The result is that the United States Government is pouring out to veterans more and more hundreds of millions every year.

These conclusions take on their real significance when we move into the upper realms of the World War statistics.

Chapter III

PRESENT VETERANS GENEROUSLY TREATED

When the United States entered the World War in 1917, Congress took time out from its many immediate duties in connection with mobilization, training and outfitting of troops, ordnance contracts and the like, to look forward and consider the problems that would arise when the new recruits became veterans. Realizing that past wars had been almost invariably followed by the passage of laws that tangled justice and bled the Government, Congress decided to handle its next heroes differently. Everyone who legitimately ought to be helped, should be; the Government proposed to be both generous and fair; and all arrangements were going to be made during the War by Congress alone instead of after the War with the help of veteran blocs. The legislators were convinced that if they made just and sufficient provision for the truly needy, well in advance, they would remove temptation to graft.

Thus the United States endeavored to wipe its slate clean and, discounting all previous experience with the cupidity of veterans, adopted as its policy the tradition that citizens do not expect to reap profit from fighting; but that the disabled and the widows and orphans of men killed in war must be helped.

For the moment let us sweep out of our minds, also,

whatever suspicions we may have that ex-soldiers are sometimes over-eager for public funds and legislators over-eager to grant them; forget for the time being the bonus. Is the nation fulfilling the duty which it recognized in that lucid interval in 1917 when politics were subordinate to pure patriotism?

After a good deal of thought and discussion, acts were passed in 1917 which contained five major provisions for the welfare of World War soldiers and their dependents.

1. For the first time Congress gave a paternal thought to the fate of soldiers' families during the war. Instead of leaving war wives to shift entirely for themselves while their husbands were away, it provided that each married private should have fifteen dollars withheld from his pay each month and that this sum matched by another fifteen dollars from the Government was to be sent to his wife for her support. If the pair had children, this thirty dollars was to be augmented by additional amounts contributed by the Government. Parents and other dependents were provided for in the same way. The system was borrowed from various foreign governments that had already proved its just benevolence.

2. Life insurance was available to all soldiers at peace time rates, the Government paying the added cost due to war hazards. Men could take out policies of from one to ten thousand dollars by paying on an average about eight dollars a thousand. If a man died, of course, the insurance was to be paid to his beneficiary; if he were totally disabled it yielded him a monthly income; otherwise he was to be allowed to convert it into a straight life or endowment policy and by paying regular premiums turn his war-time term insurance into a peace-time nest egg.

The Government encouraged every man to take out the maximum ten thousand dollar policy, sincerely wishing to give each possible widow and orphan the best protection and being convinced that every soldier could afford it.

3. Whether or not a man took out insurance, compensation was to be given for death or disability. Widows and orphans were to receive monthly allowances equal to what they had been receiving as wives and children. The war disabled were to be given compensation calculated on the basis of loss of earning power. Both these types of compensation were to be really pensions, but the word "pension" had fallen into such disrepute during the past half century that Congress decided to discard it and see if the new term could not earn a better reputation.

4. Complete medical care, hospitalization, artificial limbs and such necessities were to be provided for all those disabled in the war.

5. The disabled were, furthermore, to be rehabilitated so that they might make places for themselves in the civilian world in spite of war handicaps. Those who were no longer able to follow their pre-war occupations were to be given vocational training and re-education to fit them for new jobs; everyone who could possibly earn a living and become independent was to be taught how he might do so.

In these ways Congress promised to aid in supporting soldiers and their dependents who actually made a sacrifice for the defense of their country. The legislation was hailed as novel, comprehensive and praiseworthy; and everyone understood that it was, as William G. McAdoo

then Secretary of the Treasury pointed out, "intended to be a substitute for, and to make unnecessary, future pension laws to cover this war."

The nation has abundantly fulfilled its promises.

Vocational training to rehabilitate the war disabled, which was a new departure for the Government and a most humane one, began about September, 1918, and was continued through 1926. A little is still being done, as a matter of fact, but the bulk of the work was accomplished during the first eight years. Social service workers helped the veterans decide which occupations they were best fitted for and which would be most congenial to them, and thousands of men were successfully re-educated to new usefulness. Some of these men were taught trades, others took industrial, commercial or agricultural courses. They were given both theoretical and practical training, and when they had become proficient the Government helped them to find employment. They were paid compensation and were supplied with books, equipment and supplies, necessary to their new occupations, which they were allowed to keep. The total disbursements for vocational rehabilitation have been over six hundred and forty-four million dollars.

In order that its disabled ex-soldiers may be properly hospitalized, the United States is continually buying, building and altering hospitals all over the country. In the past ten years almost one hundred and fifty million dollars has been appropriated for veterans' hospitals and homes. By the time the full program of construction has been completed there will be over 45,000 beds available in hospitals run by the Veterans' Administration.

Besides a large number of general hospitals, the Gov-

ernment provides special institutions for tubercular and neuropsychiatric patients. There is at least one home solely for the blind.

Pay for the doctors and nurses has been raised several times so that veterans may get the best of care. And all new therapeutic measures approved by the medical profession are used, after being thoroughly tested. The diet is supervised so that it may compare favorably with the food provided in the best and most expensive private hospitals in the country; there are libraries liberally supplied with new books and magazines in each hospital, a great many radios, and the Veterans' Bureau is now busy installing apparatus which will enable the patients to enjoy talking pictures in their auditoriums.

The compensation which was promised for disability is being paid to 300,000 veterans in amounts ranging from $8 to $250 per month, depending upon the degree and character of the disability. There are also 63,694 veterans' wives, 112,074 veterans' children, and 6,526 parents of veterans receiving this compensation.

Death compensation is being paid to 22,427 widows, 33,768 children and 84,153 parents.

Altogether about 600,000 people are receiving death and disability compensation.

The method of rating disability compensation is liberal, deafness in both ears being considered total permanent disability, for example; and by decentralizing the activities of the Veterans' Bureau so that local examiners may pass on claims and award compensation, the Government has greatly simplified and quickened the meting of justice.

And finally, War Risk Insurance is now providing the

promised monthly allowances to 17,905 totally disabled veterans, 23,661 widows, 2,499 children, 91,530 parents and 27,443 sisters and brothers. A totally disabled veteran who has full insurance collects from it $57.50 per month, which income is of course additional to the $200 or $250 per month that he receives as compensation. Payments on this term insurance crossed the line of premium income from all sources in March, 1923, when about $400,000,000 had been paid out and about the same amount had been received in premiums. By the end of May, 1927, $450,000,000 in premiums had been received and the value of the term policies being paid upon was $1,300,000,000. Since all term insurance had been discontinued by July, 1927—men who wished to continue carrying Government insurance having been required to convert their term policies into life or endowment policies—no more premiums were received. Therefore, Congress has to appropriate from year to year the amounts necessary to make the payments on its War Risk Insurance awards. Its net liability on these policies is about $850,000,000.

In compensation and insurance for death and disability due to the War, the nation is paying more than $180,000,000 a year.

The Government has been somewhat disappointed in its desire to insure all the veterans for the rest of their lives. It had hoped that by inducing the soldiers to insure themselves for the period of the War, it would get them into the insurance habit, so that when peace was declared they would all convert their term insurance into Government life or endowment policies, and thereby either protect their families or make provision for their own

old age. But soon after the armistice it became obvious that the majority of the ex-soldiers were not taking advantage of this opportunity. It was discovered that a great many men, for one reason or another, found themselves unable even to pay premiums after they had been discharged from the army. They not only failed to convert their policies but let them lapse entirely. So the Government passed new laws providing that all ex-soldiers might reinstate their term insurance any time before June, 1924, and that the partially disabled might have until June, 1925, to apply for reinstatement. The date upon which all term insurance must be converted into life or endowment policies was postponed until July, 1926. Government insurance is admittedly attractive, and the Veterans' Bureau has taken pains to point out that it is not in competition with the commercial companies. The privilege of taking out this insurance is allowed only to people who have served with the colors; it is a good, businesslike offer by the nation to help them help themselves. However, in spite of everything the Government has been able to do, comparatively few eligibles now hold policies.

To sum up: family allowances were paid during the War, War Risk Insurance was issued and claims upon it paid, hospitalization promises are being fulfilled, vocational training has been given to those who needed it, and death and disability compensation is being paid to the bereaved and disabled.

The most recent figures issued by the Veterans' Administration show the following totals of disbursements since the establishment of relief for the ex-service men following the War and up to February, 1932:

Vocational Rehabilitation	$ 644,943,410.24
War Risk Insurance Payments	1,456,970,753.02
Disability Payments:	
Disability and Death Compensation	1,969,242,643.81
Disability Allowance	70,247,979.62
Total	$2,039,490,614.43
Emergency Officers Retirement Act	$34,749,670.40

These figures include one item, disability allowances, which will be discussed later in this book. The figures do not include various items such as discharge payments, adjusted compensation payments, and hospitalization costs, all of which go to swell the total of Government disbursement on account of World War veterans.

The nation has done what it said it would. It has, in fact, done more. When the huge volunteer army disbanded, each service man was given sixty dollars extra as a parting pat on the back. It was supposed to buy him a new suit of clothes or whatever else he chanced to want at the moment. This spontaneous gift cost the United States about $270,000,000; and although America had been in the War only one year and seven months, the total of her discharge fee was larger than that of any other country save England.

England, which had been fighting for four years and three months, gave a little over $542,000,000. She did not pay her soldiers a flat sum but apportioned the amounts according to length of service and whether or not they had fought overseas. For instance, a British private who had served for four years, part of the time abroad, received one hundred dollars when he was de-

mobilized. His regular pay during the War had been $11.40 per month.

Likewise, French soldiers who had a minimum of three months' service were given 250 francs, then a little over $46.00, plus 20 francs for every month spent in the fighting line, and 15 francs for each month's service behind the lines. Their regular pay had been about $1.45 a month.

Italy, which had been in the War three years and a half, and Canada, which had been in four years and three months, gave their new veterans somewhat more. But regular pay in the Italian army was almost as low as in the French; and Canada paid nothing at all on demobilization to men who had seen less than a year's service and not left Canada. All things considered, the American discharge fee was fairly generous.

Moreover, nineteen of the states paid their particular veterans bonuses ranging from $10 for each month of service to a dollar for each day. The total amount paid was over three hundred and fifty million dollars. Adding this sum to that disbursed in the Federal discharge fee, we find that American soldiers actually received over six hundred million dollars when they were demobilized, or more than any other army in the world regardless of the length of time it served.

All the states in the Union did something for the ex-soldiers. From April 1, 1917, to January 1, 1930, twenty-eight of the states spent a total of $39,034,112 for general and emergency relief of one sort or another. Ten states had spent a total of $7,553,221 more on educational benefits, and a good many others reported that they had granted such benefits but had made no expenditures as they merely gave free tuition in schools, colleges, and

Universities. None of this money was to be repaid by the beneficiaries.

Six states loaned a total of $56,621,492 to veterans to help them establish themselves on farms or buy their own homes. Over sixty-eight thousand dollars was loaned by two states for ex-soldiers' relief, and one had set up a revolving fund of $200,000 from which loans for education might be made.

Seventy-seven hospitals, costing $68,221,461, were built by thirty-six states; nineteen spent an additional $4,959,738 for memorials. These memorials were children's homes, convalescent homes and so on. The sum mentioned for them does not include what has been spent on bridges, parks, monuments or other civic improvements which were simply dedicated to World War veterans.

Various types of exemptions were made. Almost every state excused its veterans from paying some annoying little tax. Poll taxes, road taxes, and taxes on homesteads were forgiven. Hunting licenses and business licenses were issued free of charge. Indiana waived certain inheritance taxes on veterans' estates. It is difficult to ascertain exactly how much the states spent on exemptions, but eleven of them report that their expenditures were at least nine million dollars.

Burials and other miscellaneous items account for another seven million. In all, forty-three states reported that they had spent more than three hundred and seventy-five million dollars on direct benefits and relief extended to World War veterans from April, 1917, until January, 1930, not including the sums spent for hospitals, homes or loans. And the administrative expenses

in extending these benefits amounted to over ten million dollars more.

The following table gives a summarization of the expenditures of the states for veterans. It will be noticed that thirty out of the forty-eight count their benefit and relief funds by millions.

State	*Benefits and Relief*	*Loans to be Repaid*	*Hospitals, Etc.*
Alabama	$ 12,280,000		
Arizona	60,085	$ 198,679	
Arkansas	20,840,895		
California	675,000	24,447,098	$ 6,286,090
Colorado	53,250	200,000	1,368,950
Connecticut	5,702,998		982,176
Delaware	2,500		
Florida	24,500		
Georgia	20,024,877		695,000
Idaho	206,785		606,081
Illinois	55,804,083		2,843,718
Indiana	1,000		5,726,134
Iowa	22,506,559		3,423,993
Kansas	30,481,499		321,445
Kentucky	4,256,000		584,677
Louisiana	11,159,850		242,953
Maine	5,639,273		40,000
Maryland	235,000		158,500
Massachusetts	43,627,041		2,968,729
Michigan	34,112,895		4,337,841
Minnesota	27,297,265		2,701,280
Mississippi	34,100		72,370
Missouri	18,814,930		115,000
Montana	300,000		400,000
Nebraska	1,043,327		1,812,846
Nevada			4,000
New H'pshire	1,905,377		392,117
New Jersey	13,514,059		61,000

State	*Benefits and Relief*	*Loans to be Repaid*	*Hospitals, Etc.*
New Mexico	$ 2,145,090		
New York	60,340,249	$ 40	$9,427,688
North Carolina	42,000	2,236,690	
North Dakota	8,338,349		231,420
Ohio	32,440,350		7,205,531
Oklahoma	1,217,550		5,596,728
Oregon	7,908,965	27,739,025	720,601
Pennsylvania	127,500		4,300,183
Rhode Island	2,943,844		77,360
South Carolina	9,427,857		386,980
South Dakota	6,518,137	1,000,000	2,054,842
Tennessee	12,199,137		320,088
Texas	10,775		
Utah	155,700	1,000,000	
Vermont	1,358,822		370,077
Virginia	10,000		1,000
Washington	20,072,577	68,664	2,892,592
West Virginia	509,500		94,582
Wisconsin	22,658,808		5,201,519
Wyoming	782,922		266,111
Total	$519,791,190	$56,890,196	$73,181,199
Combined Total			$649,862,585

Although some of this money has been used for the veterans of other wars, it is estimated that about four-fifths of it benefited those of the World War.

In addition to all the cash payments, homes, hospitalization and exemptions, both the state and Federal Governments have given veterans very substantial preference in the Civil Service. Whereas everyone else is required to make a grade of at least 70 per cent. on his examinations, an able-bodied veteran may pass at 65; and one who was disabled in the war need make only 60.

Widows and wives of seriously disabled veterans are given similar preferences. Quarterly examinations, open only to men and women entitled to the ten-point disability preference, are given by the Civil Service Commission for positions for which there are already lists of eligibles. Those who pass these examinations are put at the head of the existing lists.

In 1930, Congress, having been told that a great many World War veterans were suffering unemployment because of the depression, appropriated $123,000 for the establishment of offices throughout the nation to find work for them. Twenty-one offices were opened by the Department of Labor with the coöperation of the Veterans' Administration, and such excellent results were obtained that the next year another $125,000 was appropriated to continue the service. These Special Veterans' Employment Offices are staffed solely by World War veterans, and secure employment for World War veterans only. To date they have found jobs for 54,002 of the applicants. The Government is now considering a plan to open thirty more offices and retain them as a permanent feature of its relief program so that veterans, their widows and dependents may always have the opportunity, through a Governmental agency, of securing employment without paying any fees. If the plan is put into effect, it will cost $450,000 per year.

Chapter IV

RISE OF THE MODERN SOLDIER BLOC

The lavishness of Congress after the Civil War was attributable primarily to the pressure put upon it by the G. A. R., and the ever-growing dominance of that organization as a political bloc in the nation. Before entering upon the more recent history of World War expenditures, it is important to look behind the scenes and find out whether there is a modern equivalent of the G. A. R. capable of driving Congress to extravagance. If so, how does it operate?

The G. A. R. was not formed until a year after the close of the Civil War, and another five years passed before it was efficiently enough organized to get into its stride as a power in the land. The United Spanish War Veterans was founded after the close of that war when the troops were demobilized. Things moved more rapidly after the World War. Within a few months after the armistice silenced the guns and long before the signing of the peace treaty, the American Legion was organized on the battlefields of France. A skeleton organization was ready in America when the transports docked from Europe with returning troops, and as the soldiers walked down the gangplank they were handed leaflets telling all about the Legion, and were urged to "Join the new G. A. R.!"

The Legion became the dominant veterans' organization. At the height of its career thus far (in the spring

of 1931 after two billion dollars had been obtained from the Government), it counted a million men on its roll. It claims to represent the World War veterans and calls itself "the voice of the American men and women who served with the colors." This is not entirely true, for the great majority of former soldiers are not members. More than four million men served in the American forces, which means that seventy-five per cent. of the country's veterans are outside the Legion. They may or may not agree with its views and policies.

There are several other veterans' organizations, most prominent of which is the Veterans of Foreign Wars, nearest rival to the Legion in size. The V. F. W. strictly limits its membership to men who saw service abroad; its members are likely to remark in private that most Legionnaires never got within sound of a shell. This, of course, is not without some justification; it has been estimated that less than one-third of the Legion membership were ever under fire.

A third organization, the Disabled American Veterans, is still further limited in membership. Unlike the Government, this organization is able to distinguish between men who were disabled in service and other veterans. Incidentally its size—40,000 members—gives a clue as to the number of ex-soldiers who are genuinely entitled to pensions. "Ours," said Commander Kirby before a House Committee, "is the most restricted of all memberships, due to the fact that we do not even take in the disabled generally; we limit ourselves exclusively to men who are disabled as a result of service. The other organizations are taking in tens of thousands of men under the legislation of July 3 (1931), which is the disability allowance where a man receives this monthly

payment regardless of the origin of his disability, and they are not even eligible for our membership."

For the purpose of examining the development and working of the modern political soldier bloc, it is the Legion with which we are concerned. It is the counterpart of the G. A. R. because, being the largest organized group, it has inherited the mantle of power.

When the Legion was first formed, it pledged itself to keep out of politics. The bad example of the G. A. R. was clear in the minds of the organizers, and they determined not to fall into the same pitfalls, and lay their organization open to charges of being a plunderbund. Into the constitution were put the words, "The American Legion shall be absolutely non-political." Nevertheless, the successes of the G. A. R. in getting money out of the Government were also freshly in mind, and the temptation was strong to follow in the path of the older veterans. In the St. Louis caucus that organized the Legion in America it was moved to ask Congress to do something the Legionnaires felt ought to be done. The voice of Colonel Herbert of Massachusetts boomed at the chairman: "I move you, sir, that the Convention substitute the word 'demand' instead of 'request' where it says 'we request Congress.'"

The Legion established in Washington what was termed a Legislative Committee to represent the organization and make known its desires. The men in charge of the Legislative Committee were energetic and experienced lobbyists. Before long they had transformed this innocent-looking committee into a lobby that was getting results. The more results they got, the more the Legion realized its power and the larger became its demands. A few years later we find the then National Commander,

Colonel Hanford MacNider, pointing out in an address that "The G. A. R. dominated the United States for years after the Civil War although it had a membership of but 20,000. . . . What an opportunity for the Legion!" He added, perhaps for the sake of form, that the Legion, of course, was not in politics.

It was, though. Its Lobby in Washington was perfecting a technique and a power that has now become the envy of all other lobbyists trying to put across legislation in the nation's capital. The Lobby's methods need to be understood in order to see why Congress is so servile.

At every annual National Convention of the Legion, a mass of suggestions from the various Posts for desirable legislation are sifted and condensed into the year's "legislative program." In the first Convention, the veterans put forward twenty-nine ideas. In the recent Detroit Convention, one hundred and seventy-six legislative demands were recorded. These demands are then turned over to the Lobby in Washington, and the Lobby draws them up in the form of bills. Some Legionnaire in Congress—there are more than one hundred of them—is then instructed to introduce each bill into the proper committee, and this sponsor, with the assistance of the Lobby chief, proceeds to push the bill as fast as possible through the various stages of legislation. All along the course, the Lobby keeps track of the bill in its "status book" which is a daily history of every piece of legislation of interest to veterans; the status book also contains a complete record of how legislators voted. When the measure is in Committee, the Lobby sees to marshalling favorable witnesses, if necessary from the farthest point of the country.

When the veterans' bill comes before the House or Senate, the Legion Lobby sends word to the 10,000 Posts telling all Legionnaires to write or wire their Congressmen demanding a favorable vote. Legislators are extremely sensitive to such things. When a Congressman begins receiving letters and telegrams, and after a while they begin to pile up on his desk, and finally he is snowed under with them, he is very likely to do what the messages tell him to.

Moreover, the Lobby chief himself circularizes, or personally visits, legislators whose attitude is doubtful, and impresses upon them the danger of opposing the veterans' wishes, lest defeat in the next election be the result. This is an effective threat. Candidate Y, let us suppose, is running for the Senate against incumbent Senator X. Candidate Y, as a matter of course, has contact with some Legion Post, and seeking campaign ammunition, gets that Post to write to the Legion Lobby asking for the record of his opponent. The Lobby replies that Senator X was on the wrong side of the fence on a bill or two. So Candidate Y trumpets through the state that his foe, Senator X, is wanting in gratitude and patriotism—is against the soldier boys. That, Senator X discovers, is apt to be a political sentence of death.

Whether the Legion actually has been able to defeat any candidate for Congress at the polls is impossible to determine with certainty because so many other issues enter into most campaigns. A prominent ex-Senator from New York state is mentioned as one politician who paid the penalty for opposition but other issues undoubtedly contributed to his downfall. Nevertheless, in every lame duck session of Congress the Legislative Committee en-

courages the feeling that at least a few of the outgoing Representatives have felt the sting of the Legion's whip.

The power of the Legion appears to be composed of three ingredients: (1) Actual disciplining of members' votes by pressure and publicity; (2) threats that frighten Congressmen; and (3) the force of sentimentality—that is, the influencing of votes by injecting the issue of gratitude to the soldier boys.

Whether the national lawmakers really need to fear the Legion or not, the majority of them do. If the power is bluff, the bluff works. So far as the public is concerned the result is the same. The Legion's successes have been so much more conspicuous than its failures, that Congressmen and Senators are all apt to think that they would be struggling against the inevitable to oppose one of its bills. An individual may rebel in private at being so stampeded, but he shrugs his shoulders and reasons that nearly everybody else will vote for the bill anyway, so in all likelihood it will pass, so what good will come of being on the wrong side of the fence? The feeling is that opposing a Legion measure is like poking one's political head out of a train window. Maybe nothing would happen; but still it isn't wise.

The Legion itself boasts of its power. Once a year the Legislative Committee chronicles its accomplishments in a closely printed report the size of a small book. "Your committee," it proclaims, "has contributed to the enactment of the following legislation," and there follows a list from two to five pages long of public laws, resolutions, and executive orders dealing with subjects ranging from Japanese exclusion to Gold Star mothers. "The passage of many of these measures," says the report, "was due wholly to Legion effort, your Committee having prepared the legislation, obtained its introduction, promoted its progress in committee by testimony and timely pressure, and succeeded in having it acted upon favorably by the House and the Senate in time for the approval by the President."

"It must be recognized," the Legislative Committee once told a National Convention, "that Congress does not lead in settling questions of public, political or economic policy. . . . Legislation is literally made outside the halls of Congress by groups of persons interested in legislation, mainly with economic motives, and the deliberating process within Congress constitutes a sort of formal ratification."

In justice to the Legion, it should be said that many of its Lobby's efforts are devoted to pushing worthy legislation. It was responsible for putting efficiency into the Government's dealings with veterans, and for working some needed reforms in legislation. But it did not stop there, as will be shown in succeeding chapters. Having, in accomplishment of good ends, developed an extraordinary power over Congress, comparable with that exercised by the G. A. R., it went right on to use that power to break down the sound tradition of soldier benefits.

Emphasis is laid upon the Legion only because it is the largest and strongest. The other veterans' organizations follow in the same paths and support the Legion's demands. A few of them conduct lobbies in Washington similar to the Legion's. One of the other organizations, the Veterans of Foreign Wars, is if anything more insistent and more sweeping in its demands upon the national finances than is the Legion.

It is important to note, also, that the Legion has not

been unanimous in its assaults upon the treasury, but has had bitter internal quarrels. A considerable body of Legionnaires believe that the Government should take generous care of the disabled, but should not bestow doles upon the able-bodied. At times this group has been in the ascendancy within the Legion. At the present moment, the balance between the two groups on the question of the bonus is so nearly even that the Legion, ostensibly against the bonus, is actually neutral. The organization, however, retains its tremendous power over the nation's legislature; so to a very great extent the responsibility for the future rests on the Legion's shoulders. That a political bloc of such power—whether this or any other—should occupy such a position in the affairs of a democracy is contrary to the American conception of government and dangerous. Nevertheless, it may as well be considered a *fait accompli* and reckoned with realistically.*

* A full discussion of how the Legion is wielding its power over the nation, and what trends its domination is taking, will be found in a recent book, *King Legion*, by Marcus Duffield.

Chapter V

PENSION COST SHOOTS UPWARD

We saw in Chapter III how the Government immediately adopted the policy that no expense should be spared to care for the disabled and dependents, and how this policy was fulfilled not meanly but generously—more generously, in fact, than ever before in America's history, more generously than by any other nation that participated in the World War.

But the veterans were not satisfied. Possessed of a political machine comparable with that of the G. A. R., the modern ex-soldiers have pursued, with minor deviations, exactly the same course as did the Civil War veterans. Now sniping, now drawing up the heaviest artillery, they have attacked the American pension tradition that only the war disabled should receive benefits. The attacks are costing the taxpayers hundreds of millions a year.

As far as America was concerned, the Civil War was a much more extensive and more costly conflict in point of casualties than was the World War. Six times as many men were killed in the Northern forces in the Civil War as were killed in all the American troops in the World War. The toll of wounded was larger in the Civil War. The total Civil War casualties of the Union army were more than twice the casualties in the United States forces in the World War.

Thirteen years after the Civil War, pensions were still on a basis of sound tradition. Some idea of the present faster pace in pensioning can be gained by comparing present expenditures with those of the corresponding period after the Civil War. Allowance must be made for the difference in cost of living, which is at least double now what it was then. Since the present casualties are only half, those differences might be said to about cancel. Then if the present expenditures were right, they might be approximately the same as the post-Civil War expenditures for the corresponding period. But modern ideas of Government service are much more elaborate than they were seventy years ago—so let us say, to be safe, that present veterans' expenditures might be three times as great as those after the Civil War without causing any just suspicion of present extravagance.

Thirteen years after the Civil War the Federal Government had spent a total of about $300,000,000 for veterans' relief. In the thirteen years since the World War, the Federal Government has spent about five billion dollars. In other words, with half as many war casualties to care for, the Government has spent nearly seventeen times as much. Here is a disproportion which no amount of discount for changed modern conditions can explain. The conclusion would seem to be that we are now travelling the road of pension scandals much faster than we did after the Civil War.

Approach the question from another angle. In the Civil War there were 277,000 wounded. On no reasonable basis can all the wounded be counted as eligible for disability benefits after the war; many of the wounds were superficial, quickly healed with no perceptible liability resulting in future years. Thirteen years after the Civil War

there were less than 200,000 on the pension roll. At the end of the World War the Surgeon General certified to 175,000 wounded. Again, nowhere near all of them were rendered unfit for future earning. But at present there are about 676,000 persons receiving disability awards. Again the natural conclusion is that abuses, whether lawful or unlawful are considerably more prevalent now than they were in the post-Civil War record. What are these present abuses, and how did they come about?

One finds difficulty in attempting to analyze fairly the modern growth of veterans' benefit abuses, chiefly because of the difficulty of distinguishing undeserving from deserving cases. The totals of expenditure for the various Government benefit services mentioned in Chapter III undoubtedly cover a multitude of sins. The effort in that chapter was to survey the just provisions which were enacted without outside compulsion, but the exact point at which wisdom left off and political pressure began is impossible to determine with certainty. Methods are different now; affairs are conducted more subtly. There is no blatant profession of pension doctors and lawyers as there was after the Civil War. Laws are so framed in conveniently general terms that fraud usually is not necessary; neuropsychiatric cases, for example, may be perfectly genuine and permanently disabling to the sufferer, but on the other hand such a diagnosis is difficult to challenge if applied to an ordinarily normal individual. All mankind are more or less neuropsychiatric cases, and by the same token it looks as though a goodly portion of mankind were applying for World War disability pensions under that diagnosis. Nor can the line between just and unjust be drawn wherever pressure on the Government has been exerted by the veterans' bloc.

In some instances, the bloc has been quite right in spurring the Government to eliminate red tape, act promptly and efficiently, and correct unintentional injustices.

With the limitations in mind, it is still possible to discern fairly obvious extravagances in the present dealings with World War veterans.

The Legion has virtually taken over the arm of the Government, the Veterans' Bureau, which disburses all soldier benefits. There is room for doubt as to whether the Government should so largely delegate functions to an outside organization. The Legion finds it necessary to explain in a current official pamphlet that the Veterans' Bureau "is not a part of the Legion organization." The Bureau was the Legion's idea in the first place, which was all right, because the Government services had not been properly coördinated. Having won that victory, however, it was not content to let the matter rest. "We deem it our right and duty at all times," said the Legion as early as 1922, "to criticize the United States Veterans' Bureau as a father would his own child."

This parental solicitude has known no bounds. The Legion has set up and maintained its own organization parallelling that of the Veterans' Bureau. Everywhere the Bureau functions, the Legion functions, too. One major result is that many ex-soldiers now report their desires for disability compensation or other Government benefits directly to the Legion, which, through the Bureau, sees that the veteran gets the very promptest satisfaction. The veteran finds that if his case is handled by this route, he is apt to get more and get it more quickly. Placed thus in a position of favored intercessor with the Government, the Legion is able to advertise to prospective members that it has secured specific individual awards of compensation in the last five years alone of $23,000,000.

What happens is that the Legion, or some other veterans' organization, takes the place of the Civil War "pension lawyers." The member, or prospective member, finds an obscure pain or ache in himself, and the organization experts give it a scientific name and find the law under which compensation may be won. Then blanks are filled in for the veteran, examination arranged if necessary, and the case expedited through the Veterans' Bureau. In many instances this is a valuable service furthering justice, but in many other cases it is a device to take gross advantage of Government provisions.

A former soldier, for example, gets recurring headaches in 1923. He is told that if those headaches can be traced back to an origin in war time, he can get paid for them. He recalls that while unloading potatoes in training camp, he missed his catch and a sack hit him on the head. He finds witnesses to support his story, and since the Government cannot prove that his headaches do not date back to the potato sack episode, he becomes the recipient of a monthly allowance. The *American Legion Monthly* runs a sort of "witness wanted column" in each issue, with items like this:

> 20th Inf., Co. I.—Former members, particularly "Shorty" Reardon, who recall seeing John F. Bauer fall off street car in Salt Lake City near the Fort.

The alliance with the Veterans' Bureau, plus its domination over Congress, has given the Legion power to dictate literally hundreds of changes in the laws relating to veterans' disbursements, every one of them liberalizing the existing provisions and costing the Government more

money. At every National Convention, the Legion makes from twenty to ninety demands for liberalization of Government payments. The demands are grouped around two main points: (1) Increasing the amount of payments; and (2) increasing the number of ex-service men eligible to receive them.

Lengthening the roll was, for the first decade, accomplished by the method of getting the date extended for presumptive service connection complaints. This sounds more complicated than it really is. For illustration, let us take a purely hypothetical case, complaint, and set of dates:

Ex-Private Smith lives happily through winter blizzards in Michigan for four years, but in 1923 falls victim to sinus trouble. By Government ruling sinus trouble is *presumed* to have originated in the War from standing in wet trenches provided the victim discovers it in himself by 1922. Ex-Private Smith cannot prove his sinus trouble originated in the War, nor will the Government presume it did, because his trouble cropped up too late, so he cannot get any compensation. But there are a great many Private Smiths in the Legion, so the Legion strongly suggests to Congress that the trouble be given a presumptive status for two or three years longer. Congress complies and provides that, up until 1925, all the Private Smiths can get compensation without having to prove war origin of the sinusitis by reason of the fact that the Government now presumes the complaint to have originated in the War even if it develops six years after. In the case of a few of the Private Smiths, the trouble may actually date back to service causes, but it is safe to say that most of them get compensation for

ills that had not the remotest connection with their service.

One of the most important early triumphs in the Legion's attack on the wall of laws and regulations protecting Government disbursements was the Reed-Johnson Act of 1924. The previous Legion convention in San Francisco had adopted 37 specific resolutions to liberalize the various veterans' provisions, and the new law granted practically all of them. The best picture of what was happening can be gained from statements in the Legion Lobby's own account after the passage of the act.

Originally, the Government had presumed service connection for two years after the War for paralysis agitans, tuberculosis, encephalitis lethargica, amœbic dysentery and neuropsychiatric cases. The Legion had previously got the period extended to three years. Then the Legion found, as the Lobby noted, that " it would be necessary to persuade Congress to extend this period to five years." The new law did that. The Lobby estimated " that this amendment alone will bring immediate compensation and hospitalization where needed to 30,000 disabled veterans at an annual cost to the Government of about $20,000,000." To continue with the Lobby's statements about the Reed-Johnson Act which it put through Congress:

"Another amendment provides that the Veterans' Bureau is authorized to forego recovery of payments erroneously made to beneficiaries without fault. . . . This will affect 14,000 persons and will validate payments of $1,890,000 to them which the Government has heretofore attempted to collect."

"Another important amendment in the bill requires that compensation cannot be reduced or discontinued

without three months' notice to the disabled veteran. . . . It is estimated that this will benefit 17,000 terminations alone a year at a cost of $941,000."

"Increase was made in the compensation of veterans' widows from $25 to $30 a month and in children's allowance from $5 to $6 a month. It is estimated that this will benefit 14,500 widows and 17,500 children at an annual cost of $725,000."

"Another important feature of the new law which was urged by the San Francisco convention is the granting of free care and treatment in Government hospitals with necessary travelling expenses for any veteran of any war or expedition since 1897 who is in need of hospitalization, without regard to the nature or origin of his disabilities. It is estimated that this provision of the new law will care for 5,500 men at an annual cost of $8,430,000."

Summing up, the Lobby says: "It is estimated that the Reed-Johnson bill will confer direct benefits upon 118,400 veterans and their dependents and will cost the Government $33,000,000 the first year and about $30,000,000 a year thereafter."

That is the way the money goes. This 1924 law, although more extensive than most, was by no means an isolated example of how the politically organized veterans are continually working to widen the scope of pension provisions.

The veterans' successes in getting more and bigger pensions by political methods have given rise in Washington to some anxious inquiries as to when, if ever, the advances on the treasury will halt. President Coolidge mildly remonstrated with Congress. "With the enormous outlay that is now being made in behalf of the veterans

and their dependents," he said, ". . . the Congress may well consider whether the financial condition of the Government is not such that further bounty through the enlargement of general pensions and other emoluments ought not to be postponed."

Again in 1928, President Coolidge reiterated his cautioning rather more plainly. "The magnitude of our present system of veterans' relief is without precedent . . ." he said. "Annual expenditures for all forms of veterans' relief now approximate $765,000,000 and are increasing from year to year. It is doubtful if the peak of expenditures will be reached even under the present legislation for some time to come. Further amendments to the existing law will be suggested by the American Legion, the Veterans of Foreign Wars of the United States, the Disabled American Veterans of the World War, and other like organizations. . . . Because of the vast expenditures now being made each year, with every assurance that it will increase, and because of the liberality of the existing law, the proposal of any additional legislation dealing with this subject should receive most searching scrutiny from the Congress."

Still Congress was susceptible to the ever-increasing suggestions of the Legion, so President Hoover took up the cudgel yet more decisively in 1930 when he vetoed a bill embodying a long list of amendments further liberalizing the Reed-Johnson Act. "The measure would give war disability benefits to from 75,000 to 100,000 men who were not disabled as the result of the War," he pointed out. "The spectacle of the Government practicing subterfuge in order to say that what did not happen in the War did happen in the War, impairs the integrity of Government."

The veterans' bloc also has come into conflict with Washington officials on the grounds of its demands for new hospital construction. To every National Convention of the Legion comes a sheaf of demands from various Posts for hospitals to be improved or new ones erected in their neighborhoods, and all these take their place on the Legion's legislative program. As early as 1921, Brigadier General Charles E. Sawyer, Chief Co-ordinator of the Federal Hospitalization Board, spoke his mind. "I am using my influence wherever possible," he said, "to prevent undue expenditure and undue elaboration of the high-powered hospital." To make matters more explicit, he added that he was "opposed to the domination of people outside the Government in this matter." "If the Government," he said, "is to be influenced by outside organizations, associations or specialists' committees, we will continue to be in trouble." The Legion took the reference as applying to itself, evidently, for it promptly demanded that Sawyer be removed from his post.

Six years later, the Pennsylvania Department recommended expelling the fearless Senator David A. Reed from the Legion for saying in the Senate that he thought many of the veterans in hospitals were loafers. Nevertheless, the Legion has succeeded in getting more and bigger hospitals authorized in nearly every session, and more veterans made eligible to take advantage of them.

The constant inroads upon the veterans' regulations by the soldiers' political bloc opened the gates for fraud. As the laws became more generous and more comprehensive, they necessarily left more loopholes for the undeserving. An unscrupulous veteran might technically come within the provisions in his claim, and collect from

the Government money to which he had not the least moral right.

One of the ambiguous changes in the law which provided an opening for shrewd practice, or, in current terminology, chiselling the Government, was the decision to re-estimate all the disability ratings. Prior to 1926, the ratings were based on average impairment of earning capacity resulting from the injury, considering industry as a whole, and without regard to the occupation. That is, a clerk or machinist or musician had received the same compensation for the same disability. The occupational loss had been taken care of through grants of vocational training that sought to overcome the handicap. After January 1, 1926, disability ratings were variable, depending on the occupation of the injured man before the War. Tremendous labor was required in the preparation of the new schedule, for a complete study and evaluation of functional requirements in the thousands of occupations in America had to be made. The result was perhaps the most extensive contribution to the bibliography of industrial disability ratings the world has known.

In the cases of some injured veterans—probably a minority—this new system was a distinct improvement, affording a nearer approximation of justice. A man whose injury might not have seriously impaired his earning capacity in some occupations but prevented his resuming the occupation in which he had been experienced was given a total instead of a partial disability rating. But in thousands of cases this provision was an invitation to graft. The natural thing to do for most persons of even average ingenuity is to adapt their work to their new limitations. One former soldier, for instance, was a violin

player until he suffered an injury to his arm; being resourceful and having good business instinct, he became an orchestra leader, and now makes five times as much as he did before the War. But because the arm injury prevents his playing the violin, he draws maximum compensation from the Government because he rates totally disabled.

The Legion noted with satisfaction that when this provision went into effect the Government was forced to spend considerably more. "While about eighteen per cent. of the cases suffered decreases," said the Lobby, "over 41 per cent. were increased, making a net increase of about 23 per cent. of the total number of cases considered under the schedule." The Legion thereupon demanded of the Veterans' Bureau that the new ratings be made retroactive back to 1924, so that a quarter of the pensioners would get lump sums of back pay.

Abuses also abound in the Civil Service as a result of the insistent campaign by the soldier bloc for greater special privileges for veterans. Unsatisfied with simple preference in eligibility for positions, the ex-soldiers demanded that those with disability ratings be moved to the top of the list for immediate appointment. They won an executive order to that effect in 1929. The disabled veteran, therefore, not only passes his examination at a lower grade than any other competitor to take his place among the eligibles, but once he is passed, even at the lower grade, he gets the first available position ahead of the better qualified applicants.

The United States Civil Service Reform League conducted a survey of the working of the system a year and a half after it had been in operation and found that in

many instances unqualified veterans were being placed in important Government posts.

"Leading the list for junior chemist," said the League's report, "out of a total of 162 candidates, appears only one disabled veteran. He had obtained the lowest mark in the examination, 69.04, a rating which would normally disqualify him. But under the executive order, he, though unqualified, is entitled to certification for appointment to this position which may involve the health of the American people, before even the highest person on the list whose earned rating was 97.5."

The League maintains that such a system will tend to lower seriously the standard of efficiency of the Government service. Moreover, as an increasing number of disabled veterans pre-empt the available positions, well-qualified men will be discouraged from seeking them. Merit will play a constantly decreasing part in putting men into Government employ.

In New York City in 1931—thanks to an even more generous state preference obtained by the veterans' bloc—there were twenty-eight firemen who because of being disabled ex-soldiers were in preferred position for promotion to higher status and leadership of the city's fire-fighting forces. As far as the Fire Department physicians could tell, these men were sound enough to perform their strenuous duties, but the Veterans' Bureau had ruled that they were suffering from at least partial disability. Similarly, some of the members of the police force had obtained their jobs because of disabilities.

One policeman wanted to become a captain on the force on the grounds of disability. He seemed in excellent health, so inquiry was made and he was found to have been discharged two years previously by the Veterans'

Bureau as cured. The promotion was refused. Then the ambitious policeman made a quick trip to Washington to see the Veterans' Bureau and returned sufficiently disabled to necessitate his promotion.

The most flagrant abuses occur under the Disabled Emergency Officers' Retirement Act, a law which was forced through Congress by the veterans' political bloc after nine years of battling against determined opposition. This law, of 1928, awards three-fourths retirement pay to civilians who became officers in the World War and who are now adjudged to be 30 per cent. permanently disabled because of their war service. Six thousand of such emergency officers are now drawing an average of $139 a month, at an annual cost to the Government of about eleven million dollars a year.

Senator David A. Reed brought out the fact in Congress that 1,400 of these beneficiaries were medical corps officers and now as physicians were practicing their profession as usual and at the same time getting handsome monthly stipends from the Government. Still more astonishing, he pointed out that a number of the men were employed by the Veterans' Bureau at excellent salaries.

Doctor X gets a salary of $8,000 from the Veterans' Bureau. Having been an Emergency Officer in the War, he requested that he be given a disability rating. His confrères in the Bureau examined him, found him partially disabled, and awarded him $150 a month. Doctor Y, earning $5,000 a year as an examining physician for the Bureau, had himself examined, pronounced unfit for work and placed on the retired list; and he gets, in addition to his salary, $125 a month.

Lawyer Z served two months during the War as a

captain in the quartermaster's department, a not very hazardous position, and he now suffers from bronchitis and hernia. So, with the aid of friendly physicians, he has been rated as disabled and receives $187.50 every month from the Government. But he is able to do much of the legal work of the Veterans' Bureau, for which he gets a salary of $9,000 a year. His total income, therefore, amounts to $11,250.

The first outright break in the tradition that only men with war disabilities should receive benefits came in the section of the Reed-Johnson Act having to do with hospitalization. It provided free transportation and treatment even if the disability was incurred long after the War and had nothing whatever to do with it. For illustration, take the mythical case of ex-Private Brown, of Chicago. He was drafted in the summer of 1918, and spent a few months in training camp before the Armistice released him. In 1930 he develops hay fever, which makes it desirable that he go to a cool climate in the late summer every year. So every summer since then Private Brown has gone to a United States hospital in Maine for a month's holiday with his transportation paid by the Government. He is not ill enough to be confined to bed, so he takes hikes, goes swimming and plays cards with the other sojourners, and altogether enjoys a very pleasant vacation—all at no expense to himself. Some other ex-soldier suffering genuine war-connected disability, may find the hospital full when he applies for admission and be denied treatment. In that case, however, a veterans' organization will persuade Congress to build more hospitals.

Not until twenty-five years after the Civil War was Congress forced by political pressure to abandon entirely

the principle that pensions should go only to war sufferers. That was the Act of 1890, which made "stretching of the conscience" unnecessary by granting money to all ex-soldiers with ailments.

Virtually that same step was taken in regard to World War veterans, only twelve years after the War, by the Act of July 3, 1930. This law authorized what amounts to a general disability pension with certain limitations. A "disability allowance" (the term distinguishes such cases from those receiving disability compensation for actual war injuries) was granted for veterans suffering at least a twenty-five per cent. disability *not acquired through war service,* provided the applicant was not eligible to pay a federal income tax for the year prior to the date of application. The rates for the allowance run from $12 to $40 a month.

For illustration of how this works: An ex-soldier crossing a street hurriedly in 1932, gets hit by a taxicab, and his leg is broken. Of course he travels to a Government hospital, without cost, and has his leg mended, without cost. But his leg does not knit properly and hurts him at intervals thereafter. He applies to the Government for a disability allowance. He does not even have to try to prove that the game leg is the result of war service; all he has to do is get the doctors to testify that he is twenty-five per cent. incapacitated. The Government then pays him a dole every month for the rest of his life.

Already, less than two years after the passage of the law, 353,000 persons, whose troubles have no connection with the War, are receiving a dole under it. The cost last year was nearly thirty million dollars. This is only the start. General Hines estimated the following year's expenditures as nearly sixty million dollars. "We calculate

this year," said the General, "approximately 400,000 veterans will apply. Of that number an additional 150,000 probably will go on the roll, and next year an additional number again will be included, so that the amount will increase not only next year but probably for the next five years, before we reach the peak of the number of veterans that would apply for the disability allowance."

Thus the history of the Civil War pension scandals is being repeated. The difference is that the modern course of treasury raiding is moving at a faster pace and is being conducted on a much larger scale. Nearly 700,000 persons are now receiving veterans' benefits on account of the World War in which the total casualties numbered 312,000. The total pension disbursement on account of the Civil War to the end of 1931 was 7½ billion dollars. This was over a period of 66 years. Since the World War, to the end of 1931, the Government has spent nearly 5 billion dollars, this over a period of less than thirteen years.

The total federal expenditures for war service pensions and other veterans' benefits from 1790 to 1931 were about 13 billion dollars. In the single year 1931 the expenditure was more than one billion, or one-thirteenth of the total spent over a period of 141 years in the entire past history of the nation. Last year's expenditures represented about 24 per cent. of all federal expenses for the year, approximately one-quarter of the entire cost of the Government.

What of the future? The pension rolls after American wars have had an astonishing vitality and longevity, hanging on decade after decade. The Government is still pensioning nine widows and one daughter of the War

of 1812, and this is 120 years after the event. Clearly, the nation is only at the beginning of its expenditures on account of the World War. In nearly all other countries involved, the costs of veterans' benefits are now declining and within a few years are expected to dwindle to virtually nothing. A Congressional committee recently made a study of the prospects for America and estimated that the peak of our expenditures will not be reached until 1949; and that the disbursements are not likely to cease before the year 2005.

At the present rate of expenditure under the laws now in force, the total bill for veterans' relief on account of the World War by the time the last soldier's widow or orphan has been taken care of can hardly amount to less than 50 billion dollars, and may go considerably over that sum. It is certain, therefore, that the nation will spend at least twice as much in paying off the veterans as it did to fight the War in the first place.

This estimate, however, is made on the assumption that no new laws will be passed, no new liberalizations of the present laws. The past history of pension scandals in the United States indicates beyond a shadow of doubt that this is an impossible hope. American veterans never yet have been content with grants lower than those obtained by their predecessors, nor have they been without the power over Congress to get them. Unfortunately, there is no reason to think the present ex-soldier will be an exception on either score.

They have put most of the veterans with ailments on the pension roll, whether the ailments came from War service or not; the next step will be to clear away the provisos and put them all on. The next step after that, as in the case of the Civil War, will be to obtain pensions for all persons who were in the service, more than four million of them. This already is foreseen by political leaders in Washington. Meanwhile, rates will have been raised, so that the present veterans will be getting more than the Civil War pensioners in their balmiest days.

The Congressional committee that studied veterans' expenditures took into account the probability of new grants by Congress, and made a prediction as to the future expenditures. The prophecy was that in the peak year the nation will have to pay out four billion dollars, an amount equal to the entire cost of the Government at the present. *And that the total bill on account of World War veterans will reach 100 billion dollars!*

In addition to all this, the veterans are now demanding from the people an immediate, extra gift of two billion dollars.

Chapter VI

THE BONUS "TINCUP"

We have seen how history has been repeating itself in the constant increase of soldier benefits after the World War which has followed almost exactly the same course as after the Civil War. Now, as then, the nation started with the principle that able-bodied survivors of the common war effort in the common defense should not be set apart as a specially privileged class, but that the disabled sufferers should be assisted generously. Little by little, Congress began raising and extending the scope of the benefits until by now the grossest abuses are permitted, and the sound tradition of proper pensioning has been thrown to the winds, just as after the Civil War. The financial burden on the nation is increasing at a faster pace, and the figures are assuming fantastic proportions.

There is, however, one development which has no parallel in Civil War days—that is, the bonus. And this is the development which is of the most immediate concern, because it is up before Congress at the present time, and threatens to add two billions of dollars to the terrific burden which is even now threatening the credit of the United States. At the risk of repetition it is worth recalling the difference between pensions and bonus. The pension is a periodical payment made, at least theoretically, to *disabled* and their dependents. The bonus is a

lump sum payment to *all* ex-soldiers, including the able-bodied, as an extra remuneration for fighting. It is essentially a direct contradiction of the modern conception of the soldier as a defender, not an adventurer.

Once ex-soldiers, in the process of obtaining legislation for disabled comrades, realize their power and learn how to use it, a strong temptation arises to employ their combined voting strength and skill to obtain financial benefits for themselves. For a veterans' organization the temptation is doubly strong, because such a policy helps build up the organization by making evident to non-members the tangible results of uniting. If the organization yields to the temptation, the accruing popularity gains members for it and the increased membership adds strength, and the added strength enables it to get more money, and the evidence of ability to get more money in turn attracts more new members. Getting money from the Government, then, is likely to become something of an addiction; the taste grows.

When the Legion was being organized in America in a caucus in St. Louis, a small group thought the Legionnaires ought to go on record as favoring a bonus of $180 for each former soldier. If they had made that demand, won it, and stopped there, millions of dollars would have been saved the Government in future years. *But the veterans then clearly realized that to ask a bonus would not be the right thing to do, and they rejected the idea.* Colonel Theodore Roosevelt, Jr., warned the men of the danger of being accused of trying to "sandbag something out of the Government," and they agreed heartily with his view.

When the organized veterans later decided to demand the bonus, it was the costliest reversal of opinion in

American history. What changed their minds? Simply a change in terminology. Of course they wanted the money in the beginning, and the shrewder ones realized they had, or would have, the power to get it. But the word " pension " had been in such bad odor since the Civil War days that they hesitated to mention that. And the word " bonus " carried the connotation of military professionalism and gratuity; to ask that would be undignified and bad manners, too. Then somebody invented the phrase " adjusted compensation," and the veterans began to see the matter in a different light. Here was a chance to go after the money—the dollars would be the same under any name—and yet save their faces.

Under the new name the question was renewed in the first National Convention of the American Legion (eight months after the organizing caucus) in the fall of 1919, and a lively discussion took place. The proponents of the bonus maintained that the Government had not paid them enough when they had been in service. Had they remained at home, they would have earned much higher salaries; they had found the War financially unprofitable. Their compensation ought to be adjusted to make up the difference. That is, the Government owed them back pay. While it would not be right to ask for a bonus, surely it would be proper to suggest their readiness to collect a debt. The proponents pointed out that Congress seemed generously inclined, and was awaiting the Legion's advice. This argument went home.

Determined opposition arose from men who felt that the Legion should not seek Government funds under any terminology. " Let us not besmirch our honorable service by saying, ' Give us money,' " said Brigadier General Roy Hoffman, who has remained a leader in the organization.

Another delegate appealed to the Convention not to add a new word to the motto by making it read, " For ME and God and Country." A compromise resolution, notable for its diffidence, was adopted. Even though Congress had shown a disposition to await the Legion's views, the organization could not decide so delicate a financial matter; nevertheless, it was beginning to feel that the veterans had been underpaid, and a financial readjustment would not be amiss. The resolution was phrased this way:

> While the American Legion was not founded to promote legislation in its selfish interest, yet it recognizes that our Government has an obligation to all service men and women to relieve the financial disadvantages incidental to military service . . . but the Legion feels that it cannot ask for legislation in its selfish interest, and leaves with confidence to Congress the discharge of this obligation.

As a matter of fact, Congress was waiting upon the Legion. The modern " pension statesmen," now bonus statesmen, had introduced an assortment of bills to pay the ex-soldiers, each legislator seeking to be the first to buy the votes of the new veteran crop with Government funds. They let the matter hang fire, however, until they found out what the Legion wanted, so they could get in the good graces of the new G. A. R.

The leaders of the Legion decided that even if the Convention had been backward, they would not be, so the Executive Committee, ninety days later, took a long step forward. It resolved that all service men and women were " entitled " to adjusted compensation, and appointed a committee to help Congress out of its quandary by

drawing up a bill. A fifty-dollar bond apiece for each month in the service was suggested. Alternative to the cash, veterans could be given a settlement of land, or financial aid in building homes, or vocational training. This was known as the Fourfold Adjusted Compensation measure, and essentially this proposition was to be the subject of four years' debate in Congress.

By the time the Legionnaires met for their second Convention they were less shy. The National Executive Committee, they voted, had been entirely right in saying that they were " entitled " to Government funds, and right in drawing up a model bill. The National Legislative Committee in Washington was instructed to " take such action as is necessary to insure its prompt passage." The voice was that of a stronger, bolder Legion than the timid fledgling of the year before.

The Lobby promptly went to work. The Democratic administration was relinquishing office, and Warren G. Harding was about to enter the White House. While Mr. Harding was still on his front porch in Marion, Ohio, the Legislative Committee called on him there and told him of the Legion's desire for adjusted compensation. They made rather significant reference to " a phalanx that could not be defeated."

The new House of Representatives, eager to please the veterans, was enthusiastic. The bill passed with flying colors and went to the Senate. " The Legion calls upon Congress to now pass the adjusted compensation measure," wrote the Lobby to every Senator. But just before the vote, Harding asked the Senate to postpone the bonus until the Government got its finances in more satisfactory condition. The Senate acceded to this request.

To have victory so near stimulated the veterans, and the third National Convention in the fall of 1921 resolved to " reaffirm our stand on adjusted compensation and ask that Congress pass the measure without further equivocation or delay."

Congress accordingly did pass the bill by big majorities in both houses, but President Harding vetoed it. The Legion Legislative Committee managed to get the measure safely repassed over the veto in the House, but was not quite able to push it through the Senate with sufficient majority to override the President.

Once more the Legion met in Convention without having got the back pay. This was 1922 and the War was four years past. " Powerful as is the Legion," the Legislative Committee apologetically reported, " it could not be expected that we could create a breach between the national administration and the Senate so early in the administration's history." The Convention was not to be pacified. Leaders of the Legion had begun to refer to the payment of a bonus, or adjusted compensation, as a legitimate Government " war debt." Legionnaires had accepted this view. " The nation should pay and is paying all of its other war debts and obligations," the Convention noted. A belligerent ring came into the resolution. " We do now instruct our new Commander, the Executive Committee and the Legislative Committee," it said, " to continue the fight for this legislation until it is enacted into law." This was a declaration that the Legion was bent upon asserting its power over Congress. The Convention went even further and admitted that bonus legislation had become one of its chief objectives. " The Legion hopes and expects," it announced, " that this act will be passed without delay so the Legion may devote

all its energies to other constructive measures of its program productive of good to the nation."

Still another year went by, and Congress had merely talked. A thoroughly angered Legion met in San Francisco—a Legion utterly changed from the modest gathering in Minneapolis that had turned aside from even so much as asking for legislation in its selfish interest. By now it had tasted of victory in other measures and was beginning to feel its political power.

"The time has arrived," proclaimed the 1923 resolution, "for the acid test of the Government's intentions to finally dispose of this measure, as it cannot longer delay its passage and retain the confidence of the veterans. . . . We do hereby insist that there be no further delay, and do instruct the officers of the American Legion to take every possible action that will lead to the immediate passage of this measure."

To the Legislative Committee in Washington the resolution was a quickening challenge. Copies were forwarded to every Senator and Congressman, and the new National Commander sent them each a letter. Pamphlets and handbills were printed and Legionnaires throughout the country were told to organize mass demonstrations. Letters by the thousands poured into Washington. Over and over the Lobby counted noses of friends and foes in Congress, arguing, pleading, threatening.

The House passed the adjusted compensation measure; the Senate passed it. President Coolidge, recalling that the Government's obligation was to have ended with the War Risk Insurance, vetoed the bill as legislation designed to benefit a class at the expense of the whole nation. His message read, in part:

"We have no money to bestow upon a class of people that is not taken from the whole people. Our first concern must be the Nation as a whole. This outweighs in its importance the consideration of a class and the latter must yield to the former. The one compelling desire and demand of the people today, irrespective of party or class, is for tax relief. The people have labored during the last six years under a heavy tax burden. This was necessary to meet the extraordinary costs of the war. This heavy assessment has been met willingly and without complaint. We have now reached a financial condition which permits us to lighten this tax burden. If this bill becomes law, we wipe out at once almost all the progress five hard years have accomplished in reducing the national debt. If we now confer upon a class a gratuity such as is contemplated by this bill we diminish to the extent of the expenditures involved the benefits of reduced taxes which will flow not only to this class, but to the entire people. When it is considered that less than $40 a year would pay for the average policy provided by this bill, there is strong ground to assume that the veterans themselves would be better off to make that small payment and be relieved of the attendant high taxes and high living costs which such legislation would impose on them. Certainly the country would. We have hardly an economic ill today which cannot be attributed directly or indirectly to high taxes.

"The prosperity of the Nation, which is the prosperity of the people, rests primarily on reducing the existing tax burden. No other action would so encourage business. No other legislative enactment would do so much to relieve agriculture. The drastic executive campaign for economy in Government expenditures has but one purpose—that its benefits may accrue to the whole people in the form of reduction in taxes. I cannot recede from this purpose. I am for the interests of the whole people. The expendi-

tures proposed in this bill are against the interests of the whole people. I do not believe they are for the benefit of the veterans.

"The running expenses of the Government for services and supplies must be met. Certain other obligations in the nature of investments for improvements and buildings are necessary and often result in a saving. The debt of the Nation must be paid. The sum of all these is a tremendous amount. At the present rate it is nearly $35 for each resident of our country, or $175 for each average family every year, and must be for some time. This bill calls for a further expenditure in the aggregate of nearly $35 for each inhabitant and lays nearly $175 more on each family to be spread over a period of 20 years. No one supposes the effort will stop here. Already suggestions are made for a cash bonus, in addition, to be paid at once. Such action logically would be encouraged if this bill becomes law. Neither the rich nor the profiteers will meet this expense. All of this enormous sum has to be earned by the people of this country through their toil. It is taken from the returns of their production. They must earn it; they must pay it. The people of this country ought not to be required by their Government to bear any such additional burden. They are not deserving of any such treatment. Our business is not to impose upon them, but to protect them.

"If this bill be considered as insurance, the opportunity for such a provision has already been provided. Nearly $3,000,000,000 of war risk and Government life insurance is now outstanding, and over $500,000,000 has been paid on such policies. When this provision was made in 1917 it was on the explicit understanding of the Congress that such insurance was to relieve the Government of subsequent contributions. The then Secretary of the Treasury said in relation to the proposed insurance act: "It ought to check any further attempts at service pension legislation by enabling a man now to provide against impairment through old age, total disability or death resulting from other causes, and to give all this protection to those kindred who may be dependent upon him and who do not share in the Government compensation." This opportunity was afforded all those who entered the service. It was distinctly understood that it covered every obligation on the part of the Government. The intent of this bill now to provide free insurance lacks both a legal or moral requirement and falls into the position of a plain gratuity.

"Considering this bill from the standpoint of its intrinsic merit, I see no justification for its enactment into law. We owe no bonus to able-bodied veterans of the World War. The first duty of every citizen is to the Nation. The veterans of the World War performed this first duty. To confer upon them a cash consideration or its equivalent for performing this first duty is unjustified. It is not justified when considered in the interests of the whole people; it is not justified when considered alone on its own merits. The gratitude of the Nation to these veterans cannot be expressed in dollars and cents. No way exists by which we can either equalize the burdens or give adequate financial reward to those who served the Nation in both civil and military capacities in time of war. The respect and honor of their country will rightfully be theirs forevermore. But patriotism can neither be bought nor sold. It is not hire and salary. It is not material, but spiritual. It is one of the finest and highest of human virtues. To attempt to pay money for it is to offer it an unworthy indignity which cheapens, debases, and destroys it. Those who would really honor patriotism should strive to match it with an equal courage, with an equal fidelity to the welfare of their country, and an equal faith in the cause of righteousness.

"I am not unmindful that this bill also embraces

within its provisions the disabled of our veterans and the dependents of those who fell. To state that the disabled veterans and these dependents are entitled to this additional gratuity is to state that the Nation is not meeting its obligation to them. Such a statement cannot be truthfully made. The Nation has spent more than $2,000,000,000 in behalf of the disabled veterans and dependents of those who died. It is now spending for compensation, training, insurance, and hospitalization more than $400,000,000 annually. Solicitude for the disabled veterans and the dependents of those who lost their lives is the Nation's solicitude. To minister to their every need is a sacred obligation which will be generously and gratefully met. The Nation stands ready to expend any amount needed for their proper care. But that is not the object of this bill.

"America entered the World War with a higher purpose than to secure material gain. Not greed, but duty, was the impelling motive. Our veterans as a whole responded to that motive. They are not asking as a whole, they do not want as a whole, any money recompense. Those who do seek a money recompense, for the most part of course, prefer an immediate cash payment. We must either abandon our theory of patriotism or abandon this bill. Patriotism which is bought and paid for is not patriotism. Our country has maintained the principle that our Government is established for something higher and finer than to permit those who are charged with the responsibility of office, or any class whose favor they might seek, to get what they can out of it. Service to our country in time of war means sacrifice. It is for that reason alone that we honor and revere it. To attempt to make a money payment out of the earnings of the people to those who are physically well and financially able is to abandon one of our most cherished American ideals. The property of the people belongs to the people. To take it from them by taxation cannot be justified except by urgent public necessity. Unless this principle be recognized our country is no longer secure, our people no longer free. This bill would condemn those who are weak to turn over a part of their earnings to those who are strong. Our country cannot afford it. The veterans as a whole do not want it. All our American principles are opposed to it. There is no moral justification for it.

"CALVIN COOLIDGE."

Brushing aside the veto, the House of Representatives repassed the measure; the Senate also repassed it. The adjusted compensation was law despite the President, on May 19, 1924.

The vote clearly showed how completely the veterans dominated the legislators. In the House it was 331 to 87; only 27 switched their votes after reading the President's veto and voted to uphold his stand. It was much closer in the Senate, where the bonus won, 61 to 27. Three more votes against the bonus would have sustained Mr. Coolidge's veto.

The new law differed from the old Fourfold Bill in that the provisions about land settlement, home aid or vocational training had been dropped. The bonus money was not to be paid immediately, for two reasons: In the first place, it was felt that such a tremendous payment would be too great a sudden drain on the treasury; in the second place, far-sighted leaders in Washington feared that the passage of a straight bonus would open up the prospect of further wholesale treasury raids. They still hoped to ward off a demand for pensions which would repeat the scandals that followed the Civil War. By postponing the bonus payment until 1945 it was

hoped that the money would then serve as a help in old age and thus make a pension drive unjustifiable.

This, then, was the bargain between the Government and the soldiers in the Adjusted Compensation Act of 1924: The veterans were to get a bonus of one dollar a day for the time they spent in the service in this country and a dollar and a quarter for each day in service abroad. Instead of getting the dollar right away, however, they would wait until it had grown to about two and a half dollars a day. The Government would put $112,000,000 each year for twenty years into a sinking fund, contributing in all $2,240,000,000. The compound interest on the fund, accumulating during twenty years, would raise the amount to $3,500,000,000. The soldiers would get an extra billion and a quarter dollars; and the arrangement would not cost the taxpayers any more.

Each veteran received, instead of cash, an Adjusted Compensation Certificate, which was a promise to pay in 1945 an amount equal to about double his bonus. In other words, he received a paid-up endowment insurance policy to mature in twenty years. The face value was the amount of insurance which a man of his age could buy with the sum credited to him as back service pay. For example, if a thirty-year-old veteran had been in service long enough so that his extra dollar and a quarter a day totalled $625, which was the maximum, the Government considered that $625 as insurance premium, and in 1945 would pay him $1,577.50.

The veterans' attitude at this point is of the utmost importance. In the first place, they were entirely pleased and contented. The Legion, in fact, exulted, "We have been placed in a mighty position," said the Commander.

"In our hour of victory let us remember that our great influence must be used for the welfare of this nation we are pledged to guard in peace as in war." In other words, the ex-soldier political bloc was saying, in effect, "We have got Congress under our thumb, just as the old G. A. R. had, but let us be moderate and not overdo this business of getting money from the Government."

In the second place, the Legion, speaking for the veterans of America, promised not to ask for more. The National Commander, John R. Quinn, speaking before the Legionnaires assembled in convention in St. Paul on Monday, September 15, 1924, referred to the passage of the bonus in these words:

> Now that we have won that victory we have no more interest in the Adjusted Compensation Act than we have in any other law of the United States. Our interest is only to see it wisely and economically administered.

The promise was not kept. Six years passed, and in 1930 there was a group at the Legion National Convention in Boston which sought to have the organization demand the bonus money immediately. The proposition was defeated in convention by being tabled.

Congress had heard the murmurings from the veterans, but took no action because of the Legion's neutrality. However, on January 25, 1931, the Legion's executive committee held a special meeting in Indianapolis and on the following day notified Congress that the veterans demanded that the Adjusted Compensation Certificates be paid off straightway. This surprising reversal undoubtedly was due to a feeling that the Legion, in order not to lose popularity and therefore lose membership, had to

keep up with the Veterans of Foreign Wars and other service organizations in the business of treasury raiding. The other organizations were clamoring for the bonus money.

Apparently it was the Legion's weight that determined Congress to act, because the bonus immediately became the first order of business. Strong opposition to paying out the money developed throughout the country. Newspapers almost unanimously opposed; chambers of commerce said it would hurt business, already suffering from the depression; bankers testified that it would injure credit. The Secretary of the Treasury pointed out that such a huge load on the nation's finances would increase the budget deficit and necessitate increased taxes. Those predictions have since been borne out. Nevertheless, Congress, under the spur of the Legion's Lobby, passed a new bill within a month after the Legion had spoken. President Hoover vetoed it, but the measure became law with a two-thirds majority over his veto on February 27, 1931.

This bonus action was another compromise. Instead of cashing the Adjusted Compensation Certificates in full, Congress provided that the Government would lend to each veteran fifty per cent. of the face value of his certificate. On the surface, this was no loss to the Government, because the veterans were required to pay the loan back with 4½ per cent. interest before they could receive their entire bonus in 1945.

Actually, however, few persons were deceived by that pleasant fiction. Nearly everyone realized that the veterans would never be required to pay back the loan. For Congress to be so stern would be contrary to all laws of politics and human nature. The prediction at that time

was that before long the soldiers would be coming back with the demand that the "loan" terms be cancelled, and that the other half of the bonus be paid immediately.

Exactly that has happened. The 1931 "loan" law turns out to have been a step toward defeating the purpose of the Adjusted Compensation Act by paying the bonus money long before 1945.

No sooner had the "loan" been granted than the Veterans of Foreign Wars began a vigorous campaign to get the rest of the bonus. Various Legion posts followed suit, and when the Legionnaires gathered for the Convention in Detroit in September, 1931, there was strong sentiment for a formal demand by the National organization. A poll of delegations indicated that a resolution to that effect would pass by a substantial majority.

Then President Hoover took one of the most dramatic steps of his career in the White House. Previously, he had declined an invitation to speak before the Legion convention. But he realized that if the Legion demanded the rest of the bonus, nothing could stop Congress from obeying, not even the thought of the possibly disastrous results that would follow for the country's finances. So the President decided on the day before the convention opened to make a flying trip to Detroit and appeal to the patriotism of the Legionnaires not to jeopardize the stability of the nation by asking a two billion dollar gift for themselves. His address, in part, was as follows:

> "It is a pleasure to accept the invitation of your Commander to attend your Convention. I am led to do so at a time of most pressing public duties because I wish to lay frankly before you important facts which I am sure you will wish to have, and I wish to point to an opportunity of service which

you can give not alone to your members but to the country at large.

"I need not recount that the world is passing through a great depression, fraught with gruelling daily emergencies alike to men and to governments. . . . Recovery of the world now rests and awaits in no small degree upon our country, the United States of America. . . .

"The American Legion, born of world emergency, wields great influence throughout our country because it speaks for a generation which has proved its citizenship by offering its all to its country. You, of the Legion, have a peculiarly sacred stake in the future of the country which you fought to preserve. You have proved your devotion in camp and battle. You have built up your organization to serve in peace as in war.

"You are aware that during the past year our National expenditures have exceeded our income. Today the National Government is faced with another large deficit in its budget. There is a decrease in the annual yield of income taxes alone from $2,400,000,000 in the years of prosperity to only $1,200,000,000 today. Simultaneously we are carrying a high and necessary extra burden of public works in aid to the unemployed, aids to agriculture and increased benefits and services to veterans.

"In these circumstances I am directing the most drastic economy in every non-vital branch of government, yet the essential services must be maintained. These obviously include continued adequate and generous provision for our disabled veterans and the continuance of our present program of work for the unemployed and aids to agriculture. . . .

"Whatever the deficit may be, and in whatever manner it may ultimately be met, every additional expenditure placed upon our Government in this emergency magnifies itself out of all proportion into intolerable pressures, whether it is by taxation or by

loans. Either loans or taxes beyond the very minimum necessities of government will drain the resources of industry and commerce, and in turn will increase unemployment.

"Such action can easily defeat our hopes, our plans and our best efforts for the recovery of our country and so indefinitely delay the return of prosperity and employment. We can carry our present expenditures without jeopardy to National stability. We can carry no more without grave national risks.

"The imperative moment has come when increase in Government expenditures must be avoided, whether it be ill-considered, hasty or uninformed legislation of any kind, or whether it be for new services meritorious in themselves. Any alternative will strike down the earnest efforts of the citizens of our Nation to start us back upon the economic paths to which we must return if we and our children are to have the destiny which everyone has the right to hope and the heart to give to them. . . .

"There is today an even greater service to our country. That is the determined opposition by you to additional demands upon the Nation until we have won this war against world depression. I am not speaking alone of veterans' legislation which has been urged for action at this convention, but I am speaking equally of demands for every other project proposed in the country which would require increased Federal expenditure. It is an attitude and an action toward the whole field of Government expenditures that is before us.

"The first stone in the foundation of stability and recovery, both at home and in the world, is the stability of the Government of the United States. It is my purpose to maintain that stability, and I invite you to enlist in that fight. The country's need of this service is second only to war. I invite you to study the relation of their governmental finances to the daily welfare and security of every man, woman

and child in the history of Europe during the past six months alone. It is for us to observe these lessons and to be helpful, but our first duty is to the people of the United States. Nothing would give a greater glow of confidence to our country today than your enlistment and the vigorous support you can bring to this effort to prevent additional burden upon your Government from any quarter whatsoever.

"You would not have the President of the United States plead with any citizen or any group of citizens for any course of action. I make no plea to you. But you would have your President point out the path of service in this Nation. That I am doing now. . . . This is an emergency and these are the times for service to which we must put full heart and purpose to help and not retard the return of the happy days we know are ahead of your country and mine."

The convention responded by heeding the President's appeal. By a vote of 902 to 507, the following resolution was passed:

WHEREAS, the unqualified, generous and unstinted relief of our disabled comrades has always been and ever will be the task to which the American Legion is chiefly dedicated, and is the surest path for "Service to God and Country," and
WHEREAS, the American Legion, having never demanded gratuity for the able, but now, as always unrelenting and determined in its solicitation for succor by a grateful government for those disabled in its service, protests any proposed economy at their expense, but
WHEREAS, millions of men and billions of dollars and of property cannot be destroyed except the survivors be called upon for sacrifice and self-denial to make good the loss which has visited Service Connected Disability upon all mankind, and

WHEREAS, the nation today faces an economic and financial crisis which calls for sound, unselfish and patriotic action upon the part of all America, now
THEREFORE, BE IT RESOLVED: That, the American Legion, in full possession of its limitless faith in the destiny of the nation we fought to preserve, calls upon the able-bodied men of America, rich and poor, veteran and civilian and statesman, to refrain from placing unnecessary burdens upon national, state or municipal governments and to unite their efforts as they all did in 1917 to the end that the war against depression be victoriously concluded, prosperity and happiness restored.

The Legion was deservedly praised throughout the country for its stand.

The campaign, however, was not ended. The Veterans of Foreign Wars renewed their insistence that the certificates should be cashed. They held mass demonstrations and bombarded Congress with letters.

Some Legion Posts were dissatisfied with the stand of their organization. One Post in California held a ceremony in which its charter was burned ostentatiously. Many Posts, in defiance of Legion regulations, sent resolutions demanding payment in the forthcoming session to Congress. The National Commander himself failed to take an aggressive position against the bonus demand. In an address to Department Commanders in the latter part of 1931 he said:

Now on the so-called bonus legislation. You remember the vote taken on it. Some Departments are for it, some are adamant against it, in some there is a very close split. That is so right on throughout the Legion. Others can't make up their minds as to what

should be the proper procedure. But recall this in the spirit of coöperation about which I spoke to you earlier in this talk, regardless of our personal opinions, this resolution was based upon the national emergency, that economic condition that I was talking about. It simply says that we are not asking for the immediate (get the word immediate) cash payment. It means just what it says. I do not think this Legion can afford to oppose the efforts of any other group who are asking for the payment of the bonus, in full or in part. . . . We have a fine program and we want to get through as much of it as possible. . . . I have had people say to me, people great in industry, that they appreciated the self-sacrificial attitude of the ex-servicemen at the Detroit Convention. *We are in no wise expressing any opposition if the thing occurs in the future.*

This was the situation in the Spring of 1932 when agitation was renewed for the immediate full cash payment of the bonus, and strong pressure was brought to bear on Congress to hand out two billion dollars to the ex-soldiers. Those who hoped that such a perilous strain upon Government finances could be avoided were more than ever grateful to the American Legion for its unselfish action at Detroit in refusing to ask for the bonus money. The Legion's patriotic attitude, in fact, afforded the chief hope that a new treasury raid could be successfully forestalled. Friends of the Legion, both within its ranks and outside, predicted that the many Legionnaires who opposed the bonus would make their influence felt to guide the organization into even more active support of the nation's financial well-being.

Chapter VII

FALSE BONUS ARGUMENTS

The terms of the Adjusted Compensation arrangement usually are quietly forgotten by those who want them cashed in full. The veteran looks at his certificate and sees on it, for example, $1,610. This is the amount due in 1945, but he wants it in 1932. It usually does not occur to him that to collect the full amount thirteen years ahead of time would be to get from the Government a much larger sum than the law originally entitled him to. Congressmen ought to know better.

The original bonus was $1 or $1.25 per day to each man, reaching a maximum of $625; the total on the face of the certificate was reached only by letting the $625 earn interest for twenty years on an insurance basis figured out by actuaries. Obviously, if the Government pays the bonus in 1932 it does not have the principal on which to accumulate the interest for the remaining thirteen years. The Government, then, would be paying the soldier a bonus not of $1 a day, but of something in the neighborhood of $1.70.

To cash the bonus certificates now would be to:

Alter the present law,
Remove a barrier to future pension scandals,
Increase the agreed bonus by more than a half,
Pay out so huge a sum as to imperil the Government's financial condition.

Surely the advocates of so drastic a step must have excellent reasons for it.

A year ago the House Ways and Means Committee held hearings on the same proposal, and the arguments then advanced in favor of it are essentially the same as the arguments being put forward now. Oddly enough, the most moving, most genuinely eloquent speech in favor of payment was made by a surprise witness, an uneducated Italian, Joseph T. Angelo, from Camden, N. J., whose claim of heroic service in the World War was indisputable. He was thoroughly sincere, and to read what he said is to wish that the Government could forthwith pay double or triple the bonus. Following are excerpts from the record in the Hearings before the Committee on Ways and Means of the House of Representatives:

Mr. Angelo: My comrade and I hiked here from 9 o'clock Sunday morning when we left Camden. I done it all by my feet—shoe leather. I was not picked up by any machine. I would not accept. Why? I come to show you people that we need our bonus. We wouldn't want it if we didn't need it. I represent 1,800 from Jersey. They are just like myself—men out of work. I have got a little home back there that I built with my own hands after I came home from France. Now, I expect to lose that little place. Why? My taxes are not paid. I have not worked for two years and a half. Last week I went to our town committee and they gave me $4 for rations. That is to keep my wife and child and myself and clothe us; and also I cannot put no coal in my cellar.

Now, I don't ask for the full bonus. None of us do, as long as we can get enough that we can make ends meet. That is all we want. We don't want to take all the money out of the treasury. We are not worrying about that, just as long as we can get enough to pay our way through without asking for charity.

When we went into the World War we didn't go into it for money; we went in there for our country; for our flag; and we fought for it; we slept in the mud; we ate when we got it; and when we didn't get it we didn't kick. Back here they turned around in the ammunition factories and the shipyards and they said, "If you don't raise our pay, we are going to strike." We didn't do that. No; we were Americans. We were satisfied with a dollar a day and twenty-four hours. . . . I have not worked for a year and a half, but there is no work in my home town. . . .

Representative Frear: Have you made application to any of your organizations, the organizations of the Legion?

Mr. Angelo: I don't belong to the Legion. I belong to the Veterans of Foreign Wars.

Mr. Frear: You are entitled to be a member of the Legion.

Mr. Angelo: I don't belong, sir. I don't belong to the American Legion. I belong to the Veterans of Foreign Wars. A man that walks under the Veterans of Foreign Wars flag, he is a fighting man, not a man behind the lines. He is a fighting man.

* * *

Representative Rainey: You have a distinguished service cross? What is that for?

Mr. Angelo: That is for saving Colonel Patton.

Mr. Rainey: What were the circumstances?

Mr. Angelo: There was 305 of us attacked with two machine guns, and we lost 303 killed and one man wounded. I was the only man standing out of 305 men, and I saved Colonel Patton, took him into a shell hole and dressed his wound. I saved 12 tanks from the Boche at the same time. There was one

volunteer and I get into this tank and goes and gets the two German machine guns, four Germans, and I killed them with my own hands, and I know I killed them because I put a one pound shell into each of them, and those men never done nothing to me, but it was my duty to get them or they would get me, for they had killed 303 of us, and I turned each and every one of those men over and I knowed they were dead, and when I turned them over I turned them under machine-gun fire.

Mr. Rainey: You have made the best speech I have heard yet.

* * *

Representative Treadway: Have you ever applied for compensation?

Mr. Angelo: Why do that? I would be stealing it.

Mr. Treadway: You say you are in good health?

Mr. Angelo: I would be stealing it if I did that.

Mr. Treadway: Oh, no, you would not be stealing it.

Mr. Angelo: Why wouldn't I?

Mr. Treadway: Not if you were passed for it.

Mr. Angelo: If I passed?

Mr. Treadway: Never mind that inquiry. You have an Adjusted Service Certificate, have you not?

Mr. Angelo: Yes, sir.

Mr. Treadway: How much does that call for?

Mr. Angelo: $1,444 if I live 20 years, but I don't think I will ever see 20 years.

Mr. Treadway: $1,444 is the face value of it?

Mr. Angelo: Yes, sir.

Mr. Treadway: Have you borrowed on it?

Mr. Angelo: Yes, sir; I have borrowed on it. By the time I have got it I won't have nothing.

Mr. Treadway: That is all the cash you have had in a year and a half?

Mr. Angelo: Yes, sir.

* * *

Surely if anybody deserves the bonus, Angelo does. Unfortunately, not all the advocates are as sincere as he, nor as needy. Yet his views in the matter are typical of those of many men. Angelo looks upon Uncle Sam as a remote and endlessly rich old man who asked him, Angelo, to go out and fight for him, sacrificing a good job to do so, and Angelo did, and now Uncle Sam lets Angelo lose his house for want of taxes and go begging for food for his wife and child. Much the same idea in more formal phraseology was expressed at the same hearing by Paul C. Wolman, Commander-in-Chief of the Veterans of Foreign Wars. Following are excerpts from his testimony:

> The War ended in 1918. Congress said we should be entitled to adjusted compensation—not a bonus, nor a gift, but adjusted compensation at the rate of $1.25 a day for foreign service, just as the Government felt that it would be fair to adjust for railroad employees, for Government employees and a number of others. . . .
>
> Since 1930 this country has been in the grip of a devastating economic depression and among those who are suffering the most are the three and one-half million World War veterans who are holding promissory notes from the Government that are not payable until 1945. We believe that immediate cash payment of these certificates will not only be a distinct aid to the welfare of the disabled and needy ex-service men but will also act as a marvelous stimulant to existing economic conditions.

Two main thoughts are contained in the speeches of both Angelo and Wolman, and they are the chief arguments now being advanced in favor of immediate cash payment: (1) The bonus is a recognized debt which the

Government is slow in paying; (2) It ought to be paid at once, because the veterans are suffering from unemployment. Both, however, are the result of twisted thinking and bad figuring.

To put patriotic sacrifice on a cash basis is, in the first place, little short of repugnant to most. It slurs the memory of the men who died; all the money in the nation cannot recompense them or their families. But since the bonus advocates persist in putting it on a cash basis, answers in kind seem to be necessary.

America's World War soldiers were not underpaid in comparison with soldiers of other nations. The American minimum pay was $30 a month. The pay of other nations per month was:

England, $11.40
Canada, $33
Australia, $42
Czechoslovakia, $1.45
France, $1.45
Italy, $1.75
Belgium, $2
Germany, $3

America's World War soldiers were not underpaid in comparison with workers at home. This will seem surprising to most persons, especially the soldiers themselves. In addition to the $30 a month, they got their board and keep which amounted to $2 per day per man, so the total minimum pay ran to $1,245 a year. The average annual earning of men and women in all industries in the year 1918, according to the National Bureau of Economic Research, was $1,078. In short, the soldiers received more than did the average worker at home.

But the soldier, with human envy, compares his pay

not with the average, but with those who were profiting exceptionally because of war conditions. The veteran in one breath bitterly and rightly condemns the profiteer and in the next breath wants to be one of the profiteers himself, by getting his gains scaled upward to a level nearer theirs. The resentment against the war contractors, who made fortunes from work for the Government, certainly is justifiable. But it is much too late to do anything about them now. The taxes to pay the bonus will not come out of their pockets, but out of the pockets of everybody alike, including the veterans themselves. The sane thing to do now, instead of trying to get blind revenge for inequities of eighteen years ago, is to work toward avoiding another war entirely, or else plan, if there is to be another one, to make everybody sacrifice alike. The Legion itself recognizes the desirability of the latter, and is trying to achieve the objective, although in a doubtful fashion, through its Universal Draft plan.

It is a plain garbling of words to compare the "debt" of the Government to the soldiers to the Government's obligations to railroads and industries whose compensation was adjusted upward after the War. The comparison would be true only if the Government had hired the soldiers with a definite agreement to pay the bonus at the conclusion of the War, which, of course, it did not. Therefore, the word "debt" is plainly not applicable in the same sense in both cases.

The whole theory of the implied contract by which the Government "owes" the bonus to the soldier (if it is anything more than insincere demagoguery), is a fundamental confusion of thought, anyway. The obligation is the other way around, the citizen to his nation.

The citizen owes a debt of military service to his country in time of war; it is part of the duty of citizenship, recognized by the Constitution and sanctioned by American usage. The soldier is not a mercenary fighting for a remote, rich old Uncle Sam, but a man protecting himself and his social heritage.

The second chief argument for cashing the bonus certificates is that thousands of veterans are unemployed. This, unfortunately, is true; but so are many other people. It would be absurd to say that the veterans are out of work because of their war service. The average soldier suffered an interruption of his civilian career of less than one year. That was thirteen years ago, and since then the country has passed through some of the most prosperous years of its history. Joseph Angelo, by his own statement, had work up until a year and a half previously. That would hold true for virtually all of the other ex-soldiers: they must have had work most of the intervening thirteen years.

Perhaps ten per cent. of the total working population are unemployed. A year ago the Veterans' Bureau made a survey which indicated that about five per cent. of the ex-soldiers were unemployed. Other estimates have put the figure higher. There seems, however, no reason to believe that the veterans are faring worse than the rest of the working population; and the indications are that they are faring better. Obviously, the thing to blame for unemployment is not the War, but the depression. It would be splendid if the Government could afford to take care of everybody out of work. But surely it is not reasonable to advocate that the Government take care of one small class of unemployed at the expense of all the rest.

The case against the bonus was well summed up in an address by Senator William E. Borah in the Senate. He said:

> Those who went to war and returned shattered in mind and broken in body, mangled in limb and afflicted with disease, are, or should be, the objects of the Government's vigilant and constant and generous care. For them the taxpayer is willing to carry greater burdens. For them our people are willing to make additional sacrifices. But when I am asked to unlock the treasury of the United States to those who were fortunate enough to pass through the ordeal unscathed, when I am asked to pay from the public funds large sums to those who have received no injury, I am bound to ask myself upon what principle may I do this.
>
> Adjusted compensation! Compensation for what —for service when the country is in peril—for defeating the enemy? How would you compensate men for such service? Such service defies compensation. Were those men the hired soldiers of the Republic? In one breath we are told we went to war for humanity, for civilization; in another for compensation. The committee doubtless felt that in getting rid of the word "bonus" and inserting the words "adjusted compensation" it had fumigated the bill; that it had raised the measure from the low level of a gratuity to the high level of cash for services rendered. But if I mistake not they have fastened a stigma upon the bill which will be distasteful for all time to the spirit of the true soldier. . . .
>
> The soldier of this country cannot be aided except as the country itself is rehabilitated. The soldier cannot come back except as the people as a whole come back. The soldier cannot prosper unless the people prosper. He has now gone back and intermingled and become a part of the citizenship of the

> country; he is wrapped up in its welfare or in its adversity. The handing out to him of a few dollars will not benefit him under such circumstances, whereas it will greatly injure the prospects of the country and the restoration of normal conditions.

An added point was brought out in Congress by the late Theodore E. Burton. "I am thoroughly aware," he said, "of the dangers which threaten the political fortunes of those who vote against this bill. I have carefully considered the probable results but no desire for political support when weighed in the balance should count for a moment against what I regard as a plain duty to my constituency and to the country which I have sworn to serve. Especial condemnation should be visited upon a campaign which has been waged for securing this bonus by threats and by the claim that those who advocate it control some millions of voters, who will oppose anyone who votes against it. As against such a vicious movement there is but one remedy and that is courage."

Chapter VIII

FINANCIAL CONSEQUENCES

Not only the veterans, but a large number of other persons throughout the country have showered upon Congress pleas and instructions to pass either the Thomas bill in the Senate or the Patman bill in the House calling for the payment of the bonus. The other supporters are largely country bankers and retail merchants. Their idea is that if Congress pays two billion dollars to the veterans, the veterans will promptly spend it, and the storekeepers' business will boom.

A table was introduced in the Congressional Record showing the division of the two billion among the states. New York would get $246,000,000, Pennsylvania would receive $173,000,000, and so on. New York City alone was put down for $132,000,000, and Philadelphia for $36,000,000. The prospect of so much money burning holes in the pockets of the owners is highly enticing to the people who have something to sell.

Now this is Alice-in-Wonderland finance, if anything ever was. True enough, there probably would be a temporary flurry of activity, an illusory spurt. But there would be an inevitable reaction afterward. It is plainly an effort to lift ourselves out of the depression by our own bootstraps. If it would help business conditions for the Government to hand out from $500 to $1,000 apiece to the veterans, why not go the next logical step and

have the biggest boom in history by handing out $1,000 to everybody? Then we all would be rich, the stores would be crowded with happy shoppers, and paradise would be upon us.

The line of reasoning overlooks the trite principle that you cannot get something for nothing. If the Government gives the veterans two billion dollars, somebody has to pay that much into the Government. Obviously, in the end, it would be the taxpayer. So the proposition reduces to the most flagrant absurdity: to bring on prosperity, raise the taxes.

Possibly some persons are sincere, but so thoroughly addled that they fail to see that feature. The suspicion remains, however, that if the bonus advocate were to be quite frank his argument would run like this: "I realize that somebody has to be the goat and get stuck with a terrific bill. But it looks like a good gamble to me that I'll win, personally. I'll get a fat slice of the bonus money, which is bound to be bigger than my share of the bill."

Such reasoning is, of course, anything but praiseworthy morally. Moreover, it is exceedingly dangerous from a purely selfish standpoint, because of the present precarious position of the country financially. To load a two billion dollar debt on the nation would be bad enough in prosperous times; in these days the bonus advocate is running the risk of bringing the whole structure crashing down on his head for the sake of a temporary profit. In other words, there is a possibility that his gamble would visit disaster on everybody, including himself.

There are two possible ways for the Government to raise the funds to pay the soldiers. One is to borrow

money; the other is to print money. Both ways have been proposed. It is difficult to tell which is worse.

To borrow the money would mean the sale of two billion dollars' worth of Government bonds. Some persons have suggested short term notes, but they would have to be converted into bonds sooner or later, so it comes down to virtually the same thing.

Eleven issues of United States bonds are out already, listed on the exchange, and more than half of them were selling under par at the time this analysis was made. Six of the eleven issues are selling. This means, of course, that the Government is approaching the maximum limit of sound borrowing. No government can keep on borrowing indefinitely, especially when, as is now the case, a billion dollar treasury deficit is in prospect.

A two billion dollar bond issue would be far bigger than any attempted in years. The only comparable venture was the Victory loan of four and a half billion in two separate issues in May, 1919. The circumstances were quite different then; it was possible to sell the bonds because of the patriotic fervor that gripped the nation. Even at that, thousands of dollars had to be spent in advertising, and a tremendous volunteer force of citizens had to conduct practically a house-to-house campaign, a high-pressure drive. Things are not like that now; the country is in no wave of patriotic enthusiasm; and money is scarce.

Investors are in a hard-headed mood. They will buy two billion dollars' worth of bonds only if it is plainly good business to do so. The only way to make it good business is to fix an abnormally high rate of interest. How high would this have to be? Substantially higher, of course, than the interest yield on the present Govern-

ment loans. At the present market value (the figures necessarily are approximate because of constant fluctuation), Treasury 3⅛'s are selling to yield 3.35 per cent.; Treasury 3⅜'s of 1941–1943 are selling to yield 3.96 per cent.; Liberty 4¼'s are selling to yield 3.78 per cent. It is reasonable to suppose, therefore, that a two billion dollar issue might have to carry five per cent. interest.

This would have very definite and inescapable results. All other Government bonds would immediately drop in price, perhaps four, six, ten points, depending on the new bond interest rate. Likewise, nearly all other bonds, industrials, railroads, etc., state and municipal, would drop. The depreciation in all outstanding securities would, in fact, bring about an immediate loss of capital values as great as, if not greater than, the two billion dollar sum which the Government was borrowing.

From this, certain other inevitable results would follow, and in some cases they might be disastrous results:

(1) The depreciation of outstanding Government securities would materially increase the cost of treasury financing in the future. That is, the Government would have to pay more for all the short term money that is constantly required in its operation. Naturally, this extra cost would have to be added on to taxes.

(2) Because of the general bond depreciation, the assets of all banks would shrink. They are required to write off losses that to individual holders might be counted paper losses as long as the bonds are held in the hope of future rise. Banks in very prosperous condition would be able to stand such losses. Not all banks are, however, and the marginal ones might be put in a very bad situation indeed.

(3) New construction and public works and expansion

of industries would be curtailed. This because all such expansion is regularly carried on by means of borrowing. Firms that had been planning to extend their businesses would have to pay a higher rate of interest for loans in order to compete with Government bonds bearing increased interest. Thus their new efforts would cost them more, and the natural thing would be to postpone the plans until they could borrow money more cheaply to carry them out. The same would hold true of state and municipal enterprises. So unemployment would if anything tend to increase, industry would tend to stagnate, and the depression would be apt to grow worse.

The plan to finance the bonus by bond issues, then, would be an exceedingly dangerous undertaking. The veterans' gamble might seriously harm the nation, and themselves, too.

Senator Thomas, who introduced a bonus bill in the Senate, suggested that the Government issue bonds, but not try to sell them. The bonds would be distributed by the administrator of veterans' affairs to the Federal Reserve banks in proportion to the amount of bonus money to be paid in the various Federal Reserve districts. The Federal Reserve banks would then be authorized to issue Federal Reserve notes equal to the face value of the bonds received by them. This roundabout formality would seem to be largely ceremonial, and of no perceptible use. The new money issued by the Federal Reserve banks would have back of it not gold, which is the only real backing, but bonds, which would be no backing at all. The Federal Reserve currency, which now is stable because it has a forty per cent. gold reserve behind it, would be diluted by an infusion of two billions of plain paper.

Representative Patman, who introduced a bonus bill in the House, suggested, in effect, that the Government simply turn on the printing presses and print two billion dollars' worth of greenbacks and hand them out to the soldiers.

"This plan," said the Representative, "can become effective at once and the money distributed in payment of the debt to the veterans to every nook and corner of America; purchasing power will be placed into the hands of consumers. The payment can be made in this way without a bond issue, without additional taxes, and without paying interest."

If the trick is so easily turned, it would seem strange that anyone should be found in opposition.

Senator Thomas is even more specific and glowing in his promises. In his speech in the Senate introducing his measure, he said it would "bring about the following concrete results:

"(a) Will advance prices of commodities.
"(b) Will decrease the value of all debts.
"(c) Will decrease the value of all interest.
"(d) Will decrease the value of all taxes.
"(e) Will decrease the value of all salaries.
"(f) Will help the debtor class."

Both Patman and Thomas, of course, are advocating outright inflation of the currency. Both of them omit to say that inflation is an immediate tax on everybody; that inflation is the perilous financial quicksand which wise business leaders have been doing their best to steer the nation away from. Let us go down the line of the Senator's own "Concrete results" and examine them:

(a) Will advance prices of commodities. Right. The cost of living will immediately go up; you and I and the

veterans will have to pay more for our bread and meat and shoes. True, the people who are selling us these things will get more money for their products. But their money, in turn, will be reduced in value and will not buy them as much as the same amount did before.

(b) Will decrease the value of all debts. Right. If the veteran owes money, he won't have to pay so much real value back. But if he has lent money, he will not receive the full sum back. Robbing Peter to pay Paul!

(c) Will decrease the value of all interest. Right. If the veteran has a nest-egg stowed away in the bank or in insurance or in investments against old age, his nest-egg will shrink, as will the income from it.

(d) Will decrease the value of all taxes. Right. The Government simply will have to increase taxes in order to get the equivalent amount of value with which to operate.

(e) Will decrease the value of all salaries. Right. This may be pleasant for employers, but it will mean a wage reduction for millions of workers.

(f) Will help the debtor class. Right. There is the nub of the whole thing. The proposal reduced to its simplest terms is this: Seize two billion dollars from the creditor class in the United States, pay it to three per cent. of the population, and thus provide a lump dole to the debtor class. That is not the American system of democracy; it is a disguised form of revolutionary practice. And it will injure thousands of the veterans whom it is intended to aid. The term "creditor class" does not mean a handful of immensely wealthy persons. It refers to the majority of the population of the country—the average men and women of moderate means who compose the solid core of the nation, including

probably a majority of the ex-soldiers and their families. They are the ones who will suffer. They will have to pay more for the necessities; their salaries will shrink; their savings for the future will dwindle.

The Senator should have added one more probable result to his list:

Will run the risk of forcing the United States off the gold standard.

If the bonus is paid in printing press money, the paper currency will have less than the forty per cent. of gold reserve that has hitherto been deemed necessary to support it. The whole supply of paper money will rest on so small a basis of gold that a currency panic will come within the realm of possibility. If the hoarding of gold begins, the Government will have to decline to redeem its paper currency in gold. At that moment the United States will be off the gold standard.

To pay the bonus now would be to gamble with the welfare of the nation.

APPENDIX

World War Statistics

Total number in military forces	4,326,929
Total overseas	2,151,644
Killed in action	38,714
Died of wounds and other causes	21,342
Wounded and missing	234,878
Invalided from service	17,041
Total casualties	311,975

Post War Expenditures

(Figures to nearest 1000)

Disability compensation (payable to 322,825 ex-service men whose disabilities were incurred in or aggravated by service) *	$1,969,242,000
Disability allowance (payable to 353,744 ex-service men whose disabilities are not related to war time service) *	70,248,000
War Risk Insurance payments *	1,456,971,000
Vocational Rehabilitation *	644,943,000
Emergency Officers Retirement Act *	34,750,000
Hospital, domiciliary and out-patient facilities †.	97,450,000
New hospital and domiciliary construction at Soldiers' Homes †	9,425,000
Permanent improvements and extensions to Veterans' hospitals †	14,000,000
Operation and maintenance of government hospital facilities †	435,000,000
Discharge fee	270,000,000
Expenditures of 30 states for Veteran benefits..	520,000,000
Loans on adjusted service certificates §	1,260,000,000
Total	$6,782,029,000
Deduct war risk premiums	$450,000,000
Net cost of peace to date	$6,332,029,000

* Figures obtained from Veterans' Bureau, compiled to February 29, 1932; † compiled to March 23, 1932; § from President's Message to Congress, December 8, 1931.

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